FOREIGN AFFAIRS

April 1977 *$3.00 a copy*

THE MIDDLE EAST

How to Save Israel in Spite of Herself—*George W. Ball*

The Arab Boycott—*Nancy Turck*

Oil Crises of the 1980s—*Dankwart A. Rustow*

Politics and Soviet-American Trade—*Daniel Yergin*

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Independence for Puerto Rico—*Rubén Berríos Martínez*

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EDITOR'S NOTE

Readers will find in this issue a somewhat fuller section than usual on Comment and Correspondence. Initially experimental, this section seems to us to have established itself and, as a corollary, given us a much more immediate sense of our audience. Since it depends on the spontaneous response of our readers to recent articles, however, we should note the timing requirements that have emerged from experience. Unless letters are received by us not later than the first of the month in which we go to press, it is often difficult to get an appropriate reply from the author. Specifically, this means that letters should reach us by May 1 for consideration in the July issue, by August 1 for consideration in the October issue, and so on.

With this issue we sadly terminate our connection of many years with the Business Press of Lancaster, Pennsylvania, which has ceased operation. To John Houck, Joseph Hertz, and all their colleagues who knew us as well as we knew ourselves, performed prodigies of quick and accurate work, and saved us from countless mistakes, we extend our heartfelt gratitude. Happily, the Waverly Press in Maryland, which had previously taken on the offset printing of the magazine, has agreed to handle setting as well.

We also note with regret that Barbara Gibson Schwarz, Assistant to the Editor, is leaving for Brussels. In her five years here she has made a priceless contribution both professionally and personally. Ms. Schwarz will continue as talent scout and consultant from Europe. Her place will be taken by Gail Kay.

The articles in FOREIGN AFFAIRS *do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* FOREIGN AFFAIRS *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any articles, signed or unsigned, which appear in its pages. What it does accept is the responsibility for giving them a chance to appear there.* The Editors.

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George W. Ball

HOW TO SAVE ISRAEL IN SPITE OF HERSELF

Most Americans approach the problems of the Middle East with a pro-Israeli bias—and rightly so. The desire of a dispersed people for a homeland cannot help but enlist the sympathy even of those with no Jewish roots, nor can any sensitive man or woman fail to be moved by the countless tales of valor and self-sacrifice in the years both preceding and following the creation of Israel. The brave *Beauharnais* with its desperate human cargo challenging the British destroyers, the poignant sage of the *Exodus-47*—these and many similar incidents must recall for all Americans proud chapters from our own earlier history. Set against the grim background of the Holocaust, the story of Israel is a continuing chronicle of grit and enterprise, in which the Entebbe foray is only the most recent footnote. Yet the wonder of it all is that, while engaged in a seemingly endless struggle, the Israelis have managed to turn a desert into a garden.

Not only must Americans admire Israel, there can be no doubt that we have an interest in, and special responsibility for, that valiant nation. The first country to recognize the new state, we have been her champion over the intervening nearly three decades. Out of our national budget we have provided huge economic and military assistance, while many of our private citizens have donated their personal savings on a scale of generosity without precedent in history. The question is no longer whether the United States should contribute to assuring Israel's survival and prosperity; that goes without saying. It is rather how we Americans, in approaching the problems of the Middle East, can best fulfill our responsibilities not only to Israel and to ourselves but also to peoples all over the world whose well-being could be seriously endangered by further conflict.

Unfortunately, for a subject deserving our most critical attention, civilized forthright debate has so far been meager. Because many articulate Americans are passionately committed to Israel,

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the slightest challenge to any aspect of current Israeli policy is likely to provoke a shrill ad hominem response. To suggest that America should take a stronger and more assertive line in the search for Middle East peace is to risk being attacked as a servant either of Arab interests or of the oil companies, or being denounced as anti-Israel, or, by a careless confusion of language, even condemned as anti-Semitic.

Yet, if fear of such a reaction discourages the Carter Administration from utilizing its full leverage to bring about a Middle East settlement—as it has discouraged other Administrations during the past 20 years—peace in the area will not be achieved. To be sure, once both sides have indulged in the customary ritualistic shadow-boxing, we shall, by expending substantial effort and political capital, probably be able to improvise formulae to dispose of the technical impediments to a reconvened Geneva Conference, principally the question of representation for the Palestine Liberation Organization. Thus, sometime after the Israeli elections in May—which probably means by next fall—Arabs and Israelis will sit down around a green baize table or tables in Geneva with the United States and the Soviet Union as Co-Chairmen.

Yet, unless we are prepared to act with more incisiveness than we have shown in the past, that conference will be the prelude to disaster. If, hobbled by the constraints of domestic politics, our government seeks merely partial tactical gains, as was the case with the Sinai Agreement—gains that do not touch the vital center of the major substantive problems—or if it seeks to achieve a comprehensive settlement merely by trying to nudge or bribe the contending nations to move toward some undefined middle ground, the conference will deadlock and ultimately fail. In spite of the optimistic noises of American campaign oratory and the euphoria encouraged by Arab propaganda, neither side has altered its formal positions in any significant way. The Arab nations are still demanding that Israel withdraw from all territory she occupied in the 1967 War, while not offering unequivocal assurances of full recognition of Israel should the Israelis comply.[1] Israeli leaders, on their part, are insisting that the retention of substantial areas of their post-1967 territories is essential to their security. Since neither side is prepared to make the first move, one is reminded of a statute on the books of one of our Western states in early railroad

[1] The recent report of Senator Ribicoff's special Senate Committee gives some ground for hope that Egypt's position in particular may be changing, but still not to the point of readiness for early diplomatic recognition of Israel. *Congressional Record,* February 10, 1977, pp. S2583 ff. (daily ed.).

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days, which required that, if two trains should meet at an intersection, neither should go forward until the other had proceeded.

II

The critical significance of this stalemate cannot be overemphasized; a breakdown of the conference would set in motion ominous forces. Bitterness from the frustration of current expectations is likely to show first in the radicalization of the governments of the Arab front-line states. In Egypt, Sadat has staked his political future on the belief that the United States holds the key to peace and is prepared to turn it. But, with the fragility of his position already demonstrated by the January riots in Cairo, backlash from a failure at Geneva could well mean his replacement by a demagogic leader impelled to call for the destruction of Israel to divert attention from the lamentable condition of the home front. Most likely, an Egyptian coup would be led by disgruntled military leaders, who, outraged by our refusal to supply them with arms to match the sophisticated weapons we are pouring into Israel, would reluctantly renew dependence on the Soviet Union.

Nor is Assad much less vulnerable in Syria; his position also will be undermined if Geneva fails. If not displaced by a pan-Arab leader, he will at least be compelled to adopt a more belligerent posture toward Israel. Even the Saudi Arabian regime, though currently the most effective force for Arab moderation, will be compelled by the dynamics of regional politics to take a harder line toward Israel and Israel's friend, the United States. As Sheikh Yamani made clear when Saudi Arabia held out for only limited oil price increases at the turn of the year, his country's continued restraint is explicitly dependent on our performance in promoting an Arab-Israeli settlement; thus our failure to produce a settlement might well mean not merely higher prices but a more direct and devastating use of the oil instrument. Since, with its tiny population, Saudi Arabia dares not get too far out of line with the far more activist Arab States, it has only a limited margin for maneuver; in the event of resumed warfare it will have no choice but to impose an oil embargo. Indeed, if the Geneva Conference disintegrates, it may even have to use its oil weapon before hostilities begin.

So nothing could be more reckless than to regard the projected Geneva Conference as merely another episode in the long-playing Middle East movie serial. It will be a high-risk venture with success or failure propelling the principle participants toward either relative stability or almost inevitable war. If it ends with a whimper – as it will

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in the absence of a decisive American initiative—it will be followed by a bang. The leaders of the front-line Arab states—probably this time even including Saudi Arabia—will then settle down, as the Egyptians and Syrians did after 1967, to build fighting forces to attack Israel as soon as they can achieve anything approaching military parity. Faced with that prospect the beleaguered Israelis may well jump off first.

However it begins, another Arab-Israeli war will be immensely more destructive than any in the past. Because both sides now possess surface-to-surface missiles, cities and civilian populations will almost certainly be targets, and the carnage will far exceed that of past wars. The Arabs have learned the tactical benefits of attrition and, even if they lose the war, can impose a shattering disaster on the tiny country of Israel, where the death of even a few thousand means the loss of a cousin, if not a son, for almost every Israeli family. Moreover, the prospect for superpower involvement will be far greater than in past conflicts.

The element in the present situation that infects this gloomy scenario with the inevitability of a Greek tragedy is that the leaders of governments in all the key capitals are captives of domestic political forces and hence have little freedom of decision or action. In Israel an unparalleled concentration of industrious, talented, educated and individualistic men and women is a mixed blessing; though enriching Israeli culture and technical competence, it leads to factionalism, with the tendency to political fragmentation compounded by proportional representation. The evanescent coalitions that emerge can reflect little more than the lowest common denominator of opinion. Meanwhile, because Israel is not solely a nation but a concept freighted with history, religion and passion, many in Israel, as well as many pro-Israeli supporters in the United States and around the world, are inhibited by the constraints of their environment from expressing their inner concerns as to the desperate need for peace. Nor do the Arab leaders possess any greater freedom of action. No matter how much they may wish to be rid of the costly incubus of the Arab-Israeli quarrel, they are still vulnerable to the slogans and demagogic incitements of their more fanatical Arab brethren.

We come, thus, to an inescapable conclusion: that the relatively impotent governments in the key Arab countries and in Israel will never by themselves be able to devise a compromise solution. Nevertheless, it is the conventional wisdom to reject any suggestion that the United States should lay out proposed terms of a settlement. Instead we must let the parties find their way by palaver to

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some common meeting ground somewhere near the center of a no-man's-land studded with land mines of hatred, religion, vested interests and rigid doctrines of military necessity. For those who believe such a feat of diplomatic navigation is feasible, I would only recall the famous comment of the Duke of Wellington when a stranger approached him on the street with the greeting, "Mr. Robinson, I believe," to which the Duke replied, "If you believe that, Sir, you can believe anything."

Many who oppose the injection of an American plan of settlement appear to regard negotiation as a mystical process that automatically grinds out solutions. Yet experience has shown again and again that effective negotiation requires at least four preconditions, none of which now exists with respect to the Arab-Israeli struggle. First, there must be a desire on each side to find a solution. Second, both sides must be convinced that negotiation is not a zero-sum game—that, in other words, the offer of a concession is not merely an advantage to the other side but a benefit to both. Third, the leaders of the negotiating nations must be sufficiently secure in their personal political positions to risk making the concessions needed for a settlement. Finally, the parties must start from positions sufficiently close if they are, by their own efforts, to find the middle ground.

Unhappily, there is by no means a unanimous desire for peace on either the Arab or Israeli side. Although weakened by recent events in Lebanon, the Rejectionist Front still has an influence in Arab politics. In Israel some politicians wish to avoid any negotiation in the wistful hope that Israel will be able to hang on permanently to the territories she seized in 1967, consolidating her hold by establishing permanent settlements—or, as it is cynically put, "creating new facts"; others shun a negotiation that would require them to take unpopular decisions.

Nor are either the Israelis or their Arab neighbors in a mood to believe that their side can gain as much as the other side by a major concession. People generally both in Israel and Egypt, for example, now regard the Sinai arrangements as a castastrophe for their side. What is lacking, of course, is even a miniscule quantum of mutual trust; without it, each side necessarily views its own concessions in the narrow focus of the other's gains. This only reinforces the immobilism produced by the political weakness of both Arab and Israeli leaders—a weakness that disables them from defending concessions when attacked for having sold out their country's interests.

Finally, and most important—the positions of the parties are so

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far apart that they can never, by themselves, find their way to a compromise in the context of a total settlement; yet the time is long past when we can afford to waste time on anything less than a total settlement. Further tactical maneuvers like the Sinai Agreement, designed as it was to divide the Arab states, would only complicate an already tangled situation. To try to promote peripheral adjustments that do not touch the major substantive problems would be an exercise in futility and—worse than that—in disenchantment. Yet to try to bring the parties together primarily by the inducements of military and financial aid, as Secretary Kissinger did in the case of the Sinai Agreement, would exceed even our financial possibilities. In light of the hundreds of millions commited to Israel and Egypt for an agreement for Israel to withdraw from two oilfields and parts of two mountain passes, what would be the character and magnitude of the largesse needed to induce agreement on the relinquishment of the balance of the Sinai, the Golan Heights, and the Gaza Strip and West Bank, and to achieve a compromise solution in Jerusalem?

III

What this clearly suggests, of course, is that we cannot afford to try to purchase a total settlement even though we should be extremely generous in helping to meet the costs of the disruption and dislocations necessarily attendant on a withdrawal, as well as to provide economic assistance to the economy of Israel. Instead, agreement by both sides must be regarded as largely paid for by mutual concessions, together with the continuance of the help we are currently giving. The real advantages to be derived by both Israel and the Arab countries must, after all, come from the benefits of peace—the need no longer to maintain a posture of military alert, the ability to deflect resources and energies from military purposes to the development and enrichment of the economic and social life not only of the individual countries, but even of the whole area.

If the techniques that produced the Sinai Agreement are not adequate for a final settlement, neither is the fundamental approach. It is simply not feasible to try to achieve peace by little steps. An exchange of small concessions will satisfy neither side; there is no physical space for territorial trade-offs on the Golan Heights; Palestinian irredentism can never be neutralized by anything less than the creation of a Palestinian state occupying substantially all of the West Bank and the Gaza Strip; and the problem of Jerusalem cannot be forever evaded. It does no good for either

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side to enmesh itself in such abstractions as sovereignty or to insist that its position on Jerusalem is non-negotiable; nothing can be non-negotiable when the stakes are as high as they are in the Middle East.

We come then to the unshatterable gneiss that lies at the subsurface of the problem. For her own security Israel can accept nothing less than an unequivocal Arab commitment to peace and full recognition together with adequate safeguards; yet in view of the primacy of the issue in Arab politics, leaders of the key Arab nations can give no such commitment without the assurance of an Israeli withdrawal from the territories she seized in 1967. Thus the parties will never come anywhere near agreement by the traditional processes of diplomatic haggling unless the United States first defines the terms of that agreement, relates them to established international principles, and makes clear that America's continued involvement in the area depends upon acceptance by both sides of the terms it prescribes.

To bring about a settlement, the missing preconditions to negotiation must either be provided or rendered unnecessary—and, under prevailing circumstances, that objective can be achieved only by an assertive United States diplomacy. Our country must make crystal clear to the more moderate Arab states—Saudi Arabia, Syria, Egypt and Jordan—that it will use its leverage in the search for peace but not unless those states make clear their acceptance of Israel's sovereignty. At the same time, Israel must be made to understand that a continuance of the present stalemate is more dangerous than the concessions required for peace. Finally, America's indispensable role is to provide the means of relieving the political leaders on both sides of the need to make politically unpalatable decisions, by furnishing them the escape route of yielding reluctantly under the relentless pressure of outside forces. This means that our President must take the political heat from powerful and articulate pro-Israeli domestic groups. It means that as a nation we must be prepared to accept abuse and blame from both sides, permitting local politicians to save their own skins by attacking American arrogance and imperialism.

The leitmotiv of their attack will be that, in putting forth suggested peace terms, the United States is trying to "impose a settlement"—an opprobrious expression that sets everyone's teeth on edge. Redolent of gunboat diplomacy and colonial arrogance, it conjures up images of large nations oppressing small nations by imperiously dictating arrangements they should be left free to make with one another.

Of course, in the context of the Arab-Israeli quarrel no one is

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proposing to impose peace with gunboats. But preserving the peace by helping quarreling nations break free from a diplomatic stalemate is, under the circumstances, not merely an option but an imperative if the world is to be saved from a disaster that cannot be geographically limited in its consequences. We would be irresponsible indeed if we were deterred from doing what is essential to prevent another war in the Middle East merely by a slogan masquerading as a principle which is quite inapplicable to the kind of initiative proposed.[2]

IV

What I am proposing is not that the United States lay down arbitrary terms of peace but that it insist that both sides carry out the United Nations Security Council Resolution 242 (affirmed in Resolution 338), which so far neither side has been willing to do. The trade-off envisaged by that Resolution is a straightforward one: the Arabs would give Israel full assurance that they would respect her integrity as a sovereign Jewish state within secure and recognized boundaries; in exchange the Israelis would withdraw from the territories they occupied in the 1967 War.

To make progress possible at the Geneva Conference, the United States should translate these principles into a comprehensive plan of settlement. That plan should establish as a firm precondition that Israel's neighbors explicitly recognize her as a Jewish sovereign state, and that they commit themselves unequivocally to respect freedom of navigation in the waterways of the area for Israeli ships as well as cargos, permit free movement of peoples and trade, and take other specified measures to assure full political, economic and cultural intercourse.

In addition they must accept arrangements through leasehold or otherwise to provide Israel control over access to the Gulf of Aqaba by the maintenance of an adequate garrison at Sharm El Sheikh, accept the demilitarization of the Golan Heights, and agree to the injection of neutral forces into that area and into other appropriate buffer zones on a basis such that they cannot be withdrawn without the agreement of both sides. To mitigate the apprehensions of Israelis at the creation of a Palestinian state on the West Bank, the front-line Arab states should commit themselves to discourage acts of violence or terrorism against Israel. Some formal link of Palestine to Jordan, as recently proposed by President Sadat, might go far to assure a responsible government.

[2] For an especially lucid discussion of this precise point about an "imposed peace," I am indebted to an elder statesman of the Zionist movement, Mr. Nahum Goldmann, "The Psychology of Middle East Peace," *Foreign Affairs*, October 1975, pp. 112–126, especially p. 124.

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The principal powers supporting the proposal—the United States, Great Britain, France and, one may hope, the Soviet Union—would guarantee to both sides the inviolability of the boundaries as finally determined. In addition, we should seek agreement with the other guaranteeing powers to limit the flow of arms to both sides.

If the Soviet Union appears on first soundings to be willing to cooperate, the United States might find it advantageous to submit the plan for the blessing of the United Nations Security Council. With four of the five permanent members already in agreement, it should be possible to achieve a majority of nine by obtaining the votes of an additional five (perhaps Canada, West Germany, Romania, Venezuela, and either Mauritius, Panama or India).

What leverage does the United States have to persuade the Arab leaders to accept such commitments? Obviously they will do so only if assured of regaining the territories they lost in 1967 and of Israel's acceptance of a Palestinian state. To be sure, there are still elements in the PLO who would resist any settlement, just as there are elements on the Israeli side who would prefer to try to preserve a fragile and dangerous status quo. But there is accumulting evidence that Arafat, and such elements of the PLO as he can control, are moving toward the acceptance of a partitioned Palestine and, as the price for the return of the West Bank, would agree to recognize the sovereignty of Israel within her pre-1967 borders.

Moreover, it seems clear that the current leaders of Saudi Arabia, as well as of Syria and Egypt, hope for a settlement to avoid the dangers of radicalization and the increase of Soviet influence in the area, as well as the high cost of maintaining Arab military might in an environment of hostility. The Saudis in particular recognize that their oil is an exhaustible resource and that they must get on quickly with the development of the area if the Arab world is not to retrogress to its nineteenth-century poverty and impotence. Since they will be the principal source of financing for a Palestinian state—whether it be totally independent, or tied to Jordan through some confederal or federal arrangement—they should be in a position to exercise considerable discipline over whatever regime administers that state and to restrict the development of its military capability.

Just what that regime may be is, of course, a matter for the Arabs to decide through some mechanism of self-determination. So long as the West Bank remains under occupation, one can well expect to see the PLO increase its political hold over an unhappy and restless people. At the same time, there is no doubt that King Hussein has

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recently gained support from the other Arab states. Thus, as the situation evolves, it is possible that the decision taken at Rabat in October 1974 to entrust the initial management of a Palestinian state to the PLO will be qualified, if not reversed.

But if we are to persuade the Arabs to accept the commitments I have outlined, we must insist categorically that Israel withdraw from the territories she occupied in 1967. That does not exclude the negotiation of minor border rectifications. But we must preserve the principle that there be no territorial aggrandizement by force.[3]

The most troublesome problem is, of course, the administrative control of Jerusalem—a subject which both sides wrap in abstractions such as sovereignty and contend is non-negotiable. There are many possible solutions ranging from internationalization, to a condominium, to various Vatican and cantonal-type solutions; yet I see no way in which the parties can ever by themselves agree to select one or another unless the United States first incorporates a specific proposal in a plan that is part of an entire package.

Some may contend that, while America will sooner or later have to put forth the terms of a settlement if any is to be achieved, it should not do so at the outset of the Geneva Conference but only after the two sides have proved to themselves and to the world that they cannot make progress by the normal processes of negotiation. But there are dangers in the latter course since even a few days or weeks of fruitless wrangling may seriously pollute the environment of compromise. Still, it is not a point to be rejected out of hand since, to some extent, America will have to adjust its diplomatic timing as the situation develops in order to seize the most propitious moment for action.

What I find less persuasive is the contention of some that an American settlement plan should not call for prompt compliance but should rather provide a schedule for achieving the objective by stages over a period of years. The underlying theory is that this will give each side a chance to test the good faith of the other before the next step is undertaken.

That seems to me of doubtful wisdom. A substantial delay after each step would only provide the opportunity for dissident groups

[3] Nor should we be deterred by the quibble that results from the absence of the definite article "the" before "occupied territories" in the English version (though not in the French or Spanish versions) of Resolution 242, which many Israelis cite to prove that Israel could comply with the Resolution without a full withdrawal. I have never understood how this could be squared with the broader principle implicit in the United Nations Charter that a nation should not be permitted to expand its territories through conquest.

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to build up resistance to the next step, either by obstructive tactics or by provocative acts of terror that would result in retaliation and a progressive deterioration in relations. Far better, it seems to me, that each side should have to face up to the full implications of its agreement from the beginning; experience has taught that it is often far easier for a country to take a large step that commits it irrevocably to a new situation than to try to move there in phases. pulled back their troops.[4]

V

That the United States has failed for a decade to exert the influence needed to induce the parties to comply with Resolution 242 is highly regrettable. But there is no international doctrine of estoppel to deter us from now moving incisively—particularly when the chances of success and the dangers of failure are both far greater than ever before.

After all, we have acted effectively in the past. President Eisenhower upheld the authority of the United Nations in the Middle East when, at the time of the Suez affair 20 years ago, he was faced with the refusal of the Israeli government to withdraw from the Sinai territories, in defiance of the United Nations Security Council Resolution of February 16, 1957. His response was prompt and unambiguous. If the Israeli government did not comply, the United States would not merely suspend governmental assistance but would also eliminate essential tax credits and take other administrative action to restrict private assistance of cash gifts and bond purchases from American sources.

Although vociferously opposed by congressional leaders on both sides, Eisenhower refused to be deflected, and, in a television speech, stated: "If the United Nations once admits that international disputes can be settled by using force, then we will have destroyed the very foundation of the organization. . . . The United Nations has no choice but to exert pressure upon Israel to comply with the resolutions. . . . " Albeit grudgingly, the Israelis pulled back their troops.[3]

Israel today is more dependent on U.S. help than ever. Her dependence on U.S. public and private aid is shown by the fact that her GNP is only slightly larger than her budget. Last year, our

[4] In adducing the events of 1956–57, I am well aware that at the time of the 1957 withdrawal Israel was reassured by a private American commitment to preserve Israeli access through the Gulf of Aqaba, and that this commitment was at best waffled on during the May 1967 crisis. It is with this in mind that I have specified in my proposal that Israel should retain her own presence at Sharm El Sheikh for this purpose.

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public sector aid amounted to $2.34 billion, which means more than $600 for every man, woman and child in Israel, or, if one excludes the Arab population of that country, roughly $700 for every Jewish man, woman or child in the country. A similar amount is in view for the current fiscal year, and our contribution to a country of 3.2 million people will again be a very high percentage of our total foreign aid programs. Rarely before have so many done so much for so few. Yet the aid should not be begrudged if it works for the long-range interest of the Israeli people.

In view of these facts, the national decision Americans must make is quite clear: It is not whether we should try to force an unpalatable peace on the Israeli people, but rather how much longer we should continue to pour assistance into Israel to support policies that impede progress toward peace and thus accentuate the possibility of war, with all the dangers that that holds not only for Israel but for the United States and the other industrialized democracies of Western Europe and Japan. Put another way, how much longer should we go on subsidizing a stalemate that is manifestly untenable for all concerned?

The unhappy dilemma of Israel is that, so long as she refuses to give up the territorial gains from her 1967 conquest and thus prevents possible progress toward peace, she must continue as a ward of the United States. With her economy already overstretched, Israel could not maintain anything like her present level of military capability without the continued infusion of something approaching $2 billion a year from the American treasury, to say nothing of the vast amounts provided by the generosity of the American Jewish community under provisions in the American tax laws and regulations that facilitate such contributions. Even with that huge subsidy, there is a serious question as to how much longer her economy can continue as it is now going. Time is clearly not working on Israel's side; she cannot indefinitely withstand the internal strains and stresses endemic to a garrison state without irreparable harm to her social and economic fabric. With 36 percent of her GNP committed to defense—equivalent to a U.S. defense budget of $560 billion—with inflation running at 35 percent, with the rate of interest on bank loans ranging between 25 and 35 percent, and with very nearly the highest tax rates in the world, her economy has slowed to an annual real growth rate of only three percent a year, while in 1976 her balance of trade deficit amounted to more than $3 billion.

The uncertain future of an embattled Israel and the lack of economic security in a garrison state have meant that recently even

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some Sabras have been leaving the country, while last year total emigration exceeded immigration. The effect on national cohesion and morale is suggested by the datum that the number of work days lost by strikes has tripled since 1974. Beleaguered Israel is no longer the same land of bright promise it was a few years ago; in spite of strenuous efforts to encourage immigration, 60 percent of the Jews permitted to leave the Soviet Union for Israel last year never arrived there but moved by way of Vienna to such Western countries as the United States, Canada, and France.

But, in spite of these foreboding developments, Israeli diplomacy will not be easily pushed off dead center. One will hear much of the contention that America should not undertake to turn Resolution 242 into a full-fledged plan of settlement, since only the Israelis are competent to decide what they require for their own security and we have no right to interpose our own judgment. Yet the premise on which this argument is based seems to me faulty since it assumes that the Arab-Israeli conflict is merely a parochial affair engaging the interests of only the direct participants—as though, in other words, the area were hermetically sealed off from the rest of the world. The realities are unhappily quite different. If we permit war to erupt in the Middle East with the heightened intensity provided by sophisticated weapons, the dangers for America and for world prosperity and peace are appalling.

Let us suppose that in the next war Israel's arms prevail and an Israeli column is moving on Damascus. Will the Soviet Union once more accept the humiliation involved in the defeat of its clients and once again tractably write off a huge loss for the expensive armaments it has poured into the area? Or will it feel compelled to drop a paratroop division or two in Syria? Though the answer is by no means clear, the agonizing problems such an action would pose for the United States are plain enough. The security of the whole West would be gravely jeopardized by such Soviet intervention; not only would the Southern flank of its defenses be seriously menaced but the economic life of the whole non-Communist world could be imperiled were the Soviet Union to gain control of Arab oil supplies. Yet, in its present mood, would the United States respond by force? Merely having to face that question would tear the country apart—reawakening latent prejudices and creating bitter divisions.

Or, as a possible alternative, assume that Arab arms were prevailing and Israel was in imminent danger of invasion. Would the United States use its military might on Israel's behalf? It takes no great prescience to imagine the searing debate that issue would provoke. Nor can one ignore the possibility that, threatened with

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destruction, Israel might use, or at least threaten to use, nuclear weapons.

Yet, even if none of these fearsome developments occurred and the war ended either with an Israeli victory or in a stalemate, the non-Communist world would still suffer catastrophic losses. Not only would the Arab oil-producing states be required by the dynamics of Arab politics to impose another oil embargo, but this time it could, and almost certainly would, be far more destructive than the last—destructive not only because the major industrialized nations have become more than ever dependent on Arab oil, but also because the Arab oil-producing countries have gained the capacity to utilize the oil weapon selectively by increasing their ability to direct where the major companies will ship oil. Thus, the producing states are becoming increasingly capable of using their oil production to play one power off against the other—favoring France, for example, because of its pro-Arab policies, while penalizing the United States and other countries for their Israeli sympathies. Since nothing could more dangerously undermine the solidarity of the West than such a tactic, one must, it seems to me, conclude that the United States can no longer afford to support a situation so likely to lead to war.

Still, one cannot overlook the fact that many Israelis firmly believe that their country cannot be secure unless it continues to hold at least a large part of its post-1967 territories. Obviously, the possession of those territories is a defense advantage, since Israel's currently expanded borders provide her with the opportunity not only for defense in depth but for an early air alert, while her boundaries with the Arab world are now only half as long as they were before 1967. Yet the wishful assumption of many Israelis that, if Israel can only continue to occupy her post-1967 boundaries long enough, the Arabs will weary of their opposition and the world will accept the situation as a fait accompli is quite illusory, even assuming that American taxpayers will continue, year after year, to provide aid to Israel at anything like its present level—an assumption that should by no means be taken for granted.

It is hardly surprising that many Israelis believe they cannot, under any circumstances, trust their Arab neighbors, who, as they see it, hate Israel and are committed to her destruction. They cite inflammatory statements by the PLO and repeated examples of Arab terrorism to support this thesis. Because Jewish history since the Diaspora has been one of persecution, while the state of Israel in her brief life has endured a succession of crises with its Arab neighbors, one can well understand the fear that a Palestinian state

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on the West Bank and in the Gaza Strip would menace Israeli security.

Yet this is a circular argument. Irredentism for the Palestinians is a compelling abstraction not dissimilar to the Jewish desire for a national home; the fact that many Palestinians have never seen Palestine only intensifies the romantic appeal of the idea. So long as there is no part of Palestine which Palestinians can call their own and to which they can, in principle, return—even though few might choose to stay there—so long, in other words, as they are denied the possibility of building their own nation in that part of old Palestine represented by the West Bank and the Gaza Strip, terrorism and excessive rhetoric are inevitable.[5]

Unhappily, Israel's relations with the Arab world are so distorted by history and hardship and the deep emotional commitment of her people to what is, at the same time, both a country and a spiritual concept, as to disable many Israelis and their American supporters from anything approaching objectivity. As a pro-Israeli friend said to me recently when I mentioned the apparent inability of the government in Jerusalem to face up to the hard realities of its own situation, "Don't you think they are entitled to their paranoia?"

It was not a flippant comment; instead, it reflected the fatalistic acceptance of a possibly grim evolution of events. When the centuries of agony of the Jewish people and their understandable yearning for a national home are viewed against the background of the Holocaust, can one wonder at the fierce tenacity with which they seek to maintain, and even to enlarge, their Israeli homeland, and the suspicion with which they regard their Arab neighbors who, they fear, threaten that very concept? In view of their experience with past deception on the part of presumably responsible governments, can one fail to understand their desire to shape their own decisions independently of others and to rely on their own valor in defending their hard-won territories?

Yet, no matter how much we may sympathize with what my friend calls "Israeli paranoia," how far dare we let it determine American policy? How far, in other words, should we go in continuing to subsidize a policy shaped to accommodate understandable

[5] The point has nowhere been more vividly made than in Israel's own history that terror is at once a response and an incitement to oppression and that, so long as a foreign force remains in the occupation of another's land—no matter what legal basis may exist or how benign that occupation may be—indiscriminate outrages of terror are a natural reflex. It was, after all, Israeli extremists (the Stern Gang or the Irgun Zvai Leuni) who assassinated the United Nations peace envoy Prince Bernadotte, blew up the King David Hotel, and systematically ambushed British soldiers during the 1946–47 struggle.

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Israeli compulsions which do not accord with the best interests—as we see it—either of Israel or the United States, but are a threat to world peace?

The hard fact is that the national interests of the United States and of Israel cannot, in the nature of things, be precisely congruent: there will necessarily be situations in which United States policies must diverge from those of the Israeli government if our country is to be true to itself. Israel is a power with only regional interests, and the very intensity of her protracted struggle to survive has forced her to be excessively preoccupied with her own quite limited range of concerns—or, in other words, to view the world in short time spans and with severely limited horizons. Since she is too small and weak to exert much conscious and direct influence on events outside the Middle East, she therefore feels little responsibility for the wider repercussions of her policies.

America's view of the world and her responsibility for world developments are of a wholly different order. We must appraise the evolution of the Arab-Israeli dispute in a world setting, taking account not merely of what certain policies might do for, or to, Israel in the short run, but also of what consequences they might hold for other countries and for the peace and well-being of the world as a whole.

VI

I have suggested that, prior to the reconvening of the Geneva Conference, we should seek quietly to obtain the agreement of our Western allies, France and Great Britain, as well as of the Soviet Union, to support a carefully developed settlement plan.

Soviet acquiescence, if not affirmative support, is desirable—perhaps even essential. Although the Soviets cannot by themselves bring about a settlement, they can probably frustrate any settlement by offering ample arms to the more activist Arab states, thus diminishing their perception of the need to reach agreement with Israel by holding out at least the theoretical possibility of a military solution. But would the Soviet Union go along with an American proposal to bring peace to the Middle East, even though the Kremlin is on record as having accepted the principles of Resolutions 242 and 338 and the proposed plan would merely put flesh on the bare skeleton provided by those resolutions?

The question is not totally one of first impression. On December 30, 1968, the Soviet Union proposed a cooperative initiative with the United States, calling for full implementation of the provisions of Resolution 242 according to a definite timetable, beginning with

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an affirmation by all the belligerents that they intended to carry out the Resolution. What the Soviet proposal contemplated was that each of the belligerents would then declare its intention to reach a peaceful settlement, while Israel would commit herself to withdraw at a fixed date. A system of guarantees would be worked out through the Security Council. This message was followed by talks between Washington and Moscow. But, unfortunately, before a joint initiative could be put forward, Israel escalated the air attack then in progress over the West Bank, and, with the humiliation of their client state, Egypt, the Soviets withdrew.

Today there is considerable reason to believe that if the Soviet Union had to choose between the maintenance of a half-peace in the Middle East—which entails a continuing vast expenditure for arming the Arab countries as well as the danger, at the end of the road, of a superpower confrontation—or cooperation in seeking a peaceful solution, it would elect to support—or, at least, not to sabotage—a peace proposal that accorded with Resolution 242, especially if it were given some recognition for its peacekeeping role. This is, at least, a reasonable hypothesis, and, although some may receive it with skepticism, it has not recently been tested.

To be sure, America once tried to make peace by expanding the principles of Resolution 242 in the so-called Rogers Plan. But there are a number of reasons why experience with that half-hearted American initiative should not be taken as a discouraging precedent. In October 1969, the United States sent notes to Israel, Egypt and Jordan outlining proposals for a settlement within the principles of Resolution 242, which were later set forth in a speech by Secretary Rogers on December 9, 1969. These proposals contemplated an Israeli withdrawal from the occupied territories in exchange for contractual peace from the Arabs, it being understood that "any changes in preexisting lines should not reflect the weight of conquest and should be confined to insubstantial alterations required for mutual security." Secretary Rogers' plan provided that the future status of Jerusalem should not be determined by unilateral action; Jerusalem should be unified and there should be roles for both Israel and Jordan in the civic, economic and religious life of the city. Finally, he made clear that there could "be no lasting peace without a just settlement of the problems of those Palestinians whom the wars of 1948 and 1967 have made homeless."

That these proposals did not prosper is hardly surprising since they could not have been floated at a less auspicious moment. Shortly before the proposals were put forward, the military situation in the area heated up substantially. In April 1969, Nasser had

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launched his War of Attrition, consisting principally of heavy bombardments across the Suez Canal that took an increasing number of Israeli lives. Israel then sent her air force into battle and by October 1969 had gained air superiority over the West Bank of the Canal and was heavily bombing Egyptian artillery positions. Egyptian casualties had reached high levels, Army morale had fallen to a new low point and over one million civilians had been evacuated from the Canal cities.

Thus, when Secretary Rogers launched his plan it was at a time when the Israeli government was rapidly escalating the air war and was enjoying the exhilaration of its military power. It felt in a strong position to impose its will, and in no mood to bargain. The Egyptians, on the other hand, were smarting at their deteriorating military position and quite unwilling to negotiate when their power and prestige were at such a low ebb.

That was eight years ago, and today the Arabs have largely regained their self-confidence and self-respect in the light of their military achievements in the early days of the October 1973 War. The developments in Lebanon have tended to reduce the authority of extreme Palestinian elements within the PLO. At the moment, there are responsible leaders in all the key Arab capitals, while Saudi Arabia, the central treasury for Araby, seems determined to move toward peace. Having already demonstrated the efficacy of their oil weapon, the Saudis have far more substantial leverage with the United States and other industrialized powers than ever in the past, while, at the same time, America enjoys Arab confidence to an unprecedented degree. That the balance of strength will ultimately shift to the Arab side seems almost inevitable, not merely because there are a hundred million Arabs, as opposed to 2.9 million Jewish Israelis, but because Arab financial resources and economic power have immeasurably increased since 1969 and are still increasing.

At the same time, Israel, though in the long term almost certain to lose ground because of her intractable economic problems, as well as the "logic of number", temporarily holds military superiority because of the influx of sophisticated U.S. weapons.

Thus the time is ripe for the United States to take a strong hand to save Israel from herself and in the process try to prevent a tragic war that could endanger the economies of the major non-Communist powers, separate the United States from its allies and precipitate enormous internal debate, and pose a serious danger of a clash with the Soviet Union.

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VII

To carry through such an initiative, President Carter must be prepared to accept formidable political opposition and to act with the same incisiveness President Eisenhower displayed in 1957. That will not be easy, for in the years since then Israeli supporters have greatly increased their political power in Washington. When, for example, the United Nations decided in December 1974 to admit the PLO to observer status, 71 Senators were induced to write President Ford denouncing that decision and referring to it as "appeasement." The following year, after Secretary Kissinger's efforts to achieve a second round of negotiations between Israel and Egypt had broken down due to what the Secretary believed was Israeli intransigence, he announced a "reassessment" of United States Middle East policy and, at the same time, temporarily delayed certain arms deliveries to Israel. Immediately, another letter was produced, this time signed by 76 Senators, admonishing the President to "be responsive to Israel's urgent military and economic needs" and to make clear "that the United States . . . stands firmly with Israel in the search for peace in future negotiations and that this premise is the basis of the current reassessment of U.S. policy in the Middle East."

There seems little doubt that the pro-Israeli strength demonstrated by this letter weakened Secretary Kissinger's hand in trying to move Israel toward acceptance of what later became the Sinai Agreement, and may have increased the amount of the subsidy America had to pay Israel in order to achieve that agreement. For three-fourths of the Senate to have joined in such an uncritical endorsement of one side, at a time when the Secretary of State was engaged in delicate negotiations with both, calls into some question the claim of Congress for a larger role in U.S. foreign policy.

Today the issues are sharply drawn and the omens auspicious for a major initiative—a conjunction that confronts the President with an acid test of political courage and decisiveness. If America should permit Israel to continue to reject inflexibly any suggestion of a return to earlier boundaries and the creation of a Palestinian state and to refuse even to negotiate about Jerusalem, we would be acquiescing in a policy hazardous not only for Israel but for America and the rest of the world.

That would not be responsible conduct for a great power.

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Nancy Turck

THE ARAB BOYCOTT OF ISRAEL

For 30 years, members of the League of Arab States (Arab League) have engaged in a boycott of Israel, a country with which they have been at war and remain in a state of hostility. As an instrument of this state of war, the boycott is intended to prevent Arab states and discourage non-Arabs from directly or indirectly contributing to Israel's economic and military strength.

For most of its existence, the boycott has been a practically dormant dimension of Israeli-Arab politics and almost unknown and irrelevant to the United States. During its first 20 years there was no U.S. legislation concerning it and for the next decade, until last year, it was the subject of but one amendment to a U.S. law.

The recrudescence of the boycott as a national and international issue results most directly from the increased importance of the Arab nations and consequently of the Arab-Israeli conflict in world affairs. The intensified Western recognition of the importance of Middle East oil reserves, the extraordinary new financial power of the Arabs and the emergence of the area as a growth market have altered the positions of all parties with an interest in the boycott and in the Arab-Israeli conflict of which the boycott is an integral part.

The Arab boycott is a controversial issue chiefly in the United States. It is not an issue among the Arabs who created it or even among the Europeans and Japanese who also labor under it. It is only beginning to become a real issue in Israel, which is the object of it. In fact, as little as two years ago the Israeli Minister of Commerce, Chaim Bar-Lev, said during a Washington visit: "The Arab boycott means nothing to us. It has no effect on Israel."

As in many other aspects of the Middle East conflict, the United States finds itself in the middle. The Arab states, previously of significant economic interest only to oil companies and to exporters of a relatively narrow selection of consumer goods, have become a growth market for a wide range of services and capital and consumer goods. With the much broader U.S. economic interest in the

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Arab world, more American companies than ever before have been brought in contact with boycott operations. The boycott's visibility has been increased by the publicity activities of interest groups committed to Israel which are energetic in behalf of Israel's economic security interests, and also, very likely, not unaware of the boycott's adverse effect on U.S. perceptions of the Arab world.

Now that it has surfaced, the boycott has been misinterpreted, misunderstood and intertwined with legally and practically unrelated matters as have few other public issues. In 1975 and 1976 the boycott was caught up in an emotional and political tug of war between the Congress and the Ford Administration, while business—the group most affected by boycott operations—watched from the sidelines. Arguments over the body of anti-boycott legislation proposed in the 94th Congress assumed the heated, emotional atmosphere of a showdown between the Arabs and Israel or between the Arab petrodollar and American morality.

Today, at a time when most observers and parties to the Arab-Israeli conflict agree conditions seem right for new negotiations for a Middle East peace, the 95th Congress is contemplating attaching strong anti-boycott provisions to the Export Administration Act. Because the United States is likely to play a major role in Middle East negotiations, it is essential to examine the boycott and to try to gauge the effects of anti-boycott legislation on those negotiations, on trade (including the price and supply of oil) and on overall U.S. relations with the Arabs as well as with Israel.

II

The Arab boycott of Israel assumes three basic forms: primary, secondary and tertiary (sometimes called "extended secondary"). The distinctions were not created by the Arab League but by non-Arabs, particularly Americans, trying to understand and deal with the boycott.[1]

The *primary boycott* is the refusal by Arab states and their nationals to trade with Israel or its nationals. Originally the Arab boycott was only a primary one, having its origins, like its parent organization the Arab League, in the inter-Arab politics of the period immediately prior to the creation of Israel in 1948 and the first Arab-Israeli war. In October 1945, the newly formed Arab League

[1] A year ago, when asked about the secondary boycott, two Saudi cabinet ministers confessed they were confused by the term. A reference to the secondary boycott brought a blank stare from an official in the Central Boycott Office in Damascus only last May. To most Arabs, the boycott is simply one boycott. Arab confusion about U.S. legislation on the boycott, at least until recently, has resulted in part from not understanding U.S. terminology.

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declared that Arabs in British-mandated Palestine should boycott the goods and services of their Zionist Jewish neighbors.[2] Within six months the League extended the boycott to direct trade between all Arab countries and Zionist entities in Palestine. Thus, Arab states forbid their own nationals and any resident foreign companies from exporting to Israel products manufactured in an Arab state; transshipping products to Israel via an Arab state is likewise forbidden.

The primary boycott is most commonly enforced by certification procedures. A participating Arab country, importer or bank requires, as a precondition to payment or to the contract, that a foreign exporter or contractor importing goods destined for an Arab port certify that the goods are neither made in Israel nor contain Israeli-made components. Such a certificate, most often requested as part of a bid, purchase order or letter of credit, is called a "negative certificate of origin." Some Arab countries accept "positive certificates of origin," i.e., statements that the product is "made in USA" or "made in England" without reference to Israel. Certificates are written by Arab government agencies, banks, importers and even law firms; as a result, applications of boycott regulations and language in the certificates vary widely.

It was not until April 1950, two years after Israel became independent, that the Arab League first extended the boycott beyond this primary aspect to include parties who are not participants in the Arab-Israeli conflict. The extension created a *secondary boycott,* which involves the refusal by Arab states to trade with third parties, i.e., non-Israeli nationals or companies, which in the opinion of the boycott committee of the Arab League significantly contribute to Israel's economic and military strength.

To coordinate this new aspect of the boycott the Arab League created a Central Boycott Office (CBO) in Damascus in 1951. The CBO serves as a secretariat for the local boycott offices established in most Arab countries and for the semiannual regional conference which deliberates and passes on CBO recommendations to member governments. The CBO also investigates foreign firms' relationships with Israel and recommends boycott procedures.[3]

[2] There were but seven members of the Arab League when the boycott was formally declared in 1945; Egypt, Iraq, Transjordan (now Jordan), Lebanon, Saudi Arabia, Syria and Yemen.

[3] The process and depth of investigation of a firm's relationship with Israel are unclear. The CBO follows a firm's activities through newspapers and word of mouth. If it believes a firm may be in violation of the secondary boycott, the CBO will send the firm a questionnaire based on the nine guidelines below. Follow-up questionnaires may also be sent. It has been alleged that competitors often supply information on firms, as do Arab embassies abroad, although neither allegation has been proven. The CBO claims companies are officially notified of their blacklisting, but many claim they have not been.

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The "blacklist" is the principal instrument for enforcing the secondary boycott. Arab countries participating in the secondary boycott are not to deal with or use goods of blacklisted firms. Foreign firms and individuals are blacklisted if they are deemed to be in violation of the secondary boycott. This judgment is in some measure determined by the application of the following criteria, which were codified by the Arab League in December 1954, and remain the standards by which the performance of third parties in relation to Israel is judged. A firm (and usually its subsidiaries) is blacklisted if it is found to do any of the following:

(1) have a branch or main plant in Israel;
(2) have an assembly plant in Israel (the ban includes foreign companies or institutions whose agents assemble their products in Israel);
(3) have general agencies or main offices in Israel for Middle East operations;
(4) have granted Israeli companies manufacturing licenses or the right to use their name;
(5) be partners in Israeli companies or manufacturing plants;
(6) supply advice and technical expertise to Israeli manufacturing plants;
(7) be agents of Israeli firms or principal importers of Israeli products;
(8) be prospecting for natural resources in Israel;
(9) refuse (after a period of warning) to reply to questions from the Central Boycott Office to clarify the company's position and determine its relationship with Israel.

In practice, American firms have been blacklisted for a variety of reasons. Coca-Cola was blacklisted in 1966, six months after licensing a bottling plant near Tel Aviv; Ford Motor Company, which licenses a truck and tractor assembly plant in Israel, was blacklisted in the same year. Operations in Israel resulted in blacklisting for Belco Petroleum, Miles Laboratories and Topps Chewing Gum. Xerox Corporation was blacklisted allegedly because it sponsored a series of documentaries, one of which concerned Israel. A few companies have been blacklisted simply because years ago, when they had no thought of investing in the Arab countries, a company employee discarded a routine CBO questionnaire about the company's relationship (whether or not one existed) with Israel; failure to respond after a warning automatically results in blacklisting.

Maintenance of blacklists has been uneven, capricious and confusing. The CBO can only investigate and suggest that a company be blacklisted; its recommendation is not binding on any Arab

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League member unless adopted by the member-country's government. There is, therefore, no universal blacklist; each country maintains its own list and official gazettes regularly publish names of companies added to or deleted from the list. Furthermore, six Arab League states which adhere to the primary boycott—Algeria, Mauritania, Morocco, Somalia, Sudan and Tunisia—do not practice the secondary boycott or blacklisting. Therefore, although Coca-Cola is banned in Kuwait, it is sold in North Africa.

Contrary to public opinion, the blacklists do not include only American companies, although the majority of firms appear to be American. (There are, for example, 1,400 U.S. firms and subsidiaries on a published 1971 Lebanese list and 1,200 on a recent Saudi list.)

It is possible to have one's name removed from the blacklists, and the process of delisting is applied in a similarly irregular fashion. Delisting is not initiated by the CBO; the company or its Arab sponsor, governmental or private, must request it. The CBO reviews documents supplied by the firm about its current activities. The company may have to prove it no longer has objectionable interests in Israel and promise to refrain from such activities in the future. Alternatively, it may have to make investments in Arab countries comparable to those it previously made in Israel.[4] If the original reason for blacklisting was based on a misunderstanding or minor objection, delisting is less difficult. The process can, however, be long and costly. Again, after the CBO recommends delisting it must be approved in each country separately for it to be effective there. Firms, including Burlington Industries, Kaiser, General Tire & Rubber and British Leyland, have been delisted but few advertise the fact for fear of adverse publicity.

In practice, companies wishing to do business in the Middle East may have to provide documentation related to their blacklisting status. If a hypothetical Widget Company, for example, were to do business for the first time in Kuwait or Saudi Arabia, the company would either have to certify in writing it was not blacklisted or have to obtain a similarly worded certificate from the local boycott office. In Kuwait, the certificate from the local office (located in the Customs Department) usually reads: "Widget is not a company boycotted by the Ministry of Customs and Ports, State of Kuwait,

[4] According to Decree No. 482, issued by the Syrian Ministry of Economy and Foreign Trade on July 19, 1975, a boycotted company can be delisted if it "establishes an industry in the Arab countries for its own account or by participation with Arab capital *provided it does not have any other relations violating the boycott principles*" (emphasis added). No company has taken advantage yet of the Syrian decree. Egypt does not have a law but has indicated willingness to apply the same guideline to permit Ford Motor to establish an assembly plant in Alexandria.

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and is not in any way affiliated to any such company." The local office issues the certificate after checking its own blacklist.

Before Widget can be paid by letter of credit or its shipment unloaded in Kuwait, certificates may be required that the carrier, and less frequently that the insurer, are not blacklisted. These certificates are both common applications of the secondary boycott.[5] In addition to certification, local customs services also police the boycott by inspecting, refusing entry or even confiscating imports from blacklisted firms.

A secondary boycott can also impose restrictions on future business dealings. Suppose Sweflour, a Swedish grain producer, negotiates to build a flour mill in Syria. The Syrian contract may include a secondary boycott condition that Sweflour not build a mill in Israel.

To discourage indirect Arab contributions to the Israeli economy, the Arab League has imposed a third prohibition—dubbed the *tertiary boycott* in the United States.[6] Pursuant to the tertiary boycott, which developed from the boycott regulations codified in 1954, the Arabs forbid utilization of materials, equipment or services of a blacklisted firm by a non-blacklisted firm in its exports to or projects in an Arab country. For example, in one application of the tertiary boycott, an American manufacturer almost had its contract to manufacture buses for Saudi Arabia cancelled when it was learned the bus seats were manufactured by a blacklisted firm. (The company substituted other seats and fulfilled the contract.)

Contrary to what is commonly believed, however, the prohibition does not apply to a foreign company's relationships across the board. Widget Company may be prohibited from using Ford trucks on its Arab construction site, but Widget in no way is penalized by the Arabs for using Ford trucks at sites anywhere else in the world.

The tertiary boycott is the least frequently invoked and the most indirectly applied form of the boycott. Tertiary boycott requests are found in tenders and major project contracts rather than in normal import documents, and major project contracts presently constitute only a small proportion of U.S.-Mideast business, which

[5] Certificates or published guidelines on the wording of such certificates are obtained from Arab consular offices. The certificates are notarized either by the consular offices or by designated Chambers of Commerce such as the U.S.-Arab Chamber (New York and San Francisco), the Mid-America Chamber (Chicago), Mid-Atlantic Chamber (Baltimore) and American-Arab Society (Houston).

[6] Some argue that it more properly should be termed an "extended secondary" boycott because in practice it is really another mechanism to discourage the use of products banned under the secondary boycott.

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is largely exports. The tertiary boycott may also be enforced through oral agreements or understandings among the parties. While the Arabs intend to enforce the tertiary boycott to the extent they can, the incidence of tertiary boycott requests imposed as a formal condition of contractual obligation are few compared to the total number of boycott-related requests reported to the Commerce Department. It seems likely, though, that foreign companies often voluntarily refrain from utilizing blacklisted goods or services on a project site in the Arab world.

III

The boycott committee over the years has added rules and created exceptions to the basic principles. These exceptions, it would appear, are made so as not to harm Arab economies in the name of the boycott. The boycott, for example, does not affect government-to-government sales, a factor which enables Arab countries to purchase military equipment from the same companies that supply Israel.[7] Hotel chains, public service companies and tourist ships are exempt from the boycott. Arabs may purchase pharmaceutical products and certain spare parts from blacklisted companies when no alternative is available.[8] Indeed, Saudi Arabia still imports RCA spare parts for a television network that company constructed in Saudi Arabia before it was blacklisted in 1966.

The irregular application of the boycott, the variety of policing procedures and the secrecy surrounding the blacklists and semiannual meetings have resulted in widespread exaggeration of its extent. Although ill-informed U.S. companies may, for example, engage in a voluntary boycott because they think they must avoid doing business with Israel in order to win Arab contracts, the boycott has never applied to firms which conduct only import and export trade with Israel. Foreign firms can and do sell fully finished goods of their own production to Israel as well as to Arab countries, as long as the company has no economic relationship with Israel which would otherwise cause blacklisting under the basic principles.[9] James Beam Distillers, John Deere & Company, Olivetti, and Burlington Industries are among companies selling to both markets.

[7] The Arab League decided not to establish a general principle with respect to foreign arms manufacturers supplying Israel; individual examination of each manufacturer is recommended. *General Principles for Boycott of Israel,* League of Arab Countries General Secretariat, Head Office for the Boycott of Israel, Damascus, June 1972, Part XV, p. 9.

[8] *Ibid.,* Section 34, p. 53ff.

[9] *Ibid.,* Section 15, i, 3.

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A few companies even have investments in both markets. Hertz Rent-a-Car, a blacklisted RCA subsidiary, operates in Israel and Egypt, presumably under the tourist exception, while RCA Global Communications operates in Jordan and Israel.

Significantly, the Director General of the Israeli Ministry of Finance made this point recently: "There are many examples where actual investments in Israel do not harm the companies, which continue to do business with the Arabs. The boycott does cause some problems, but that is due to the American companies' lack of knowledge about it. They would find if they study the matter carefully that they can do business with all the countries of the Middle East."[10]

IV

Identification of the Arab boycott of Israel with discrimination against Jews has greatly contributed to recent misunderstanding about the boycott and the nature of legislation needed to deal with it. Various legal prohibitions against alleged discrimination have been enacted in the course of anti-boycott action in the past several years.

While it is true that for political reasons the Arabs seek to deny trade opportunities which might aid Israel, to assert that the boycott now prevents Jews from doing business in the Arab world because of their religion is a distortion of the boycott's purpose and contravenes the overwhelming evidence of current practice.

Public association of the boycott with religious discrimination results in large measure from the practice of some Arab countries of asking about religious affiliation on visa applications and denying visas to some Jews.[11] Critics of Arab visa policies most frequently single out Saudi Arabia, which has rarely admitted Jews to the kingdom, claiming that Jews, of whatever nationality, might be agents of Israel. Historically, entry and exit from Saudi Arabia have been restricted for almost everyone; until the late 1960s the

[10] *Industry Week,* October 4, 1976. p. 58. As an example of the scale and level of ignorance, the general counsel of a company listed in the top 500 by *Fortune* telephoned the firm's Jordanian distributor last May to complain that his company could not legally sign the required commercial documents certifying the goods were non-Israeli and that the ship would not stop in Israel en route to Aqaba. However, it is *not* illegal to sign such certificates under current U.S. law. The American company must inform the U.S. government it signed the certificate of origin of goods, but need not report at all that it certified the ship's route, since such certification is considered a security precaution to avoid confiscation of goods in hostile territory rather than a boycott-related request.

[11] Only about half the Arab League countries request a visa applicant to name religious affiliation. The other half, including Egypt and more recently Kuwait, do not. Some consular officers admit they really don't care what an applicant fills in.

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country even required its own nationals to obtain entry and exit visas. Tourist visas are still not issued.

Last June, however, Saudi Arabia dropped the requirement for a certificate of religion with visa applications. (Even before the requirement was dropped, at least one Saudi consular office had agreed to accept Bar Mitzvah certificates as qualifying documents of religious affiliation!) In the past several years, the Saudi government has also been more open to issuing visas to Jewish businessmen who have valid reasons for visiting the kingdom. Jewish-controlled U.S. companies operate there.

There is no doubt that foreign private companies, directly or indirectly, have been told not to hire Jews to work on given projects in an Arab country. And because some Arab countries traditionally have restricted entry of Jews, some foreign companies hire personnel for jobs in the area on condition the employee be able to obtain a visa. Requiring an employee to obtain his own visa is not illegal under U.S. law, however; the United States recognizes a nation's sovereign right to control entry of foreigners—and of course exercises its own visa controls. However, in November 1975 President Ford, by executive order, did forbid all federal agencies, their contractors and subcontractors from making overseas assignments based on a host country's exclusionary policies; since that time only one Arab visa rejection of a U.S. government contract employee has been reported to the State Department.

Various Arab officials, in public statements and government communiqués, have asserted that the boycott is not directed toward any form of discrimination based on race or religion. The *General Principles for Boycott of Israel,* a compendium of boycott regulations published by the CBO, contains no boycotting criteria based on religion or ethnic origin and goes to considerable lengths to define a Zionist in the context of economic and political support for Israel.

The administration of the boycott, however, has been less than perfectly faithful to the principles of nondiscrimination. This is partly a result of poor administration and partly of the difficulty of keeping clear the distinction between "Zionist" and "Jewish." Often, though, U.S. protests have resulted in the deletion of discriminatory provisions.

The most blatant examples of discriminatory procedures have been requests in Arab commercial documents for information about the religious affiliation of an American company's personnel. Since 1965, however, when U.S. law first required reporting of boycott-related requests, discrimination has been found in less than one-tenth of one percent of all transactions reported to the

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Commerce Department. Further, the incidence of these requests on boycott-related forms has greatly dissipated in the last year as a result of publicity and of increasing Arab sophistication regarding distinctions between Zionists and Jews.

A significant example of administrative ineptness is in letter of credit forms, usually written in both Arabic and English. Some time ago, a form used in Iraq translated the Arabic word for "Israeli" or "Zionist" into English as "Jewish." Most of the incorrectly translated forms were printed in large quantities a decade or more ago. When U.S. government officials asked for clarification, the Iraqi law firm involved issued new, corrected forms.

In another instance in late 1975, many U.S. companies reported to the Commerce Department the receipt of requests in Saudi letters of credit that the company declare the goods and their containers not bear a Star of David or hexagonal star. The requirement, which has religious connotations, is considered discriminatory under Export Administration Act regulations. The language, which had been written by a low-level bank employee acting on his own, was subsequently altered to "symbol signifying Israeli origin" through U.S. diplomatic efforts.

Instances can also be cited where a firm has allegedly been blacklisted because of Zionist connections of its executives. In early 1975 the Kuwait Investment Company and the Kuwait Foreign, Trading, Contracting and Investment Company opposed the participation of Lazard Frères, N. M. Rothschild and S. G. Warburg & Sons in two syndicated bond issues. It was alleged that the financial houses were excluded because some of their leading officers contributed heavily to Zionist causes.[12] Subsequently, however, Kuwaiti and other Arab financial institutions dropped all restrictions on participation in bond issues, including those which had been applied to Lazard Frères, Rothschild and Warburg.

V

In considering the legal aspects of the Arab boycott and the existing and proposed U.S. legislation to deal with it, U.S. and international precedents in the use of boycotts are instructive. "Boycott" is a term applied in the United States to consumer affairs and in labor or antitrust law: it is an individual or collective "refusal

[12] Felix Rohatyn of Lazard Frères testified to the Senate Subcommittee on Multinational Corporations on February 20, 1975, that Lazard Frères did not know why it was blacklisted but he presumed from news reports that it was due to Zionist contributions of some members of the firm. Lazard Frères' New York office is named on a 1971 Lebanese blacklist and a 1970 Saudi list but is not found in a 1973 Lebanese version or in a current Kuwaiti blacklist. Lazard Frères' London and Paris branches are not listed at all.

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to deal" in various ways. The term has no special meaning or understanding internationally; "embargo" is much more commonly used to describe a nation's refusal to export to or import from another country or countries. Indeed, in Arabic the word for both boycott and embargo is the same.

The Arab League asserts that a restrictive trade practice such as is embodied in the Arab boycott, or embargo, of Israel is intended to defend sovereignty or national interests and as such is "legal" and accepted international practice. In fact, since there is no customary, multilateral or treaty law outlawing boycotts or embargos, they are "legal" in the sense of *not being unlawful under international law* (as most economic actions of nations are not). Since treaties involving many countries often permit an action which might otherwise be prohibited—such as trade restrictions—to be taken by a country in the interests of its national security, it can be said that generally such actions have not been outlawed.

"Primary" boycotts or embargos are not uncommon. Over 100 countries, including the United States, have engaged in such boycotts. While Rhodesia, Cuba, South Africa and Israel are currently the most commonly boycotted countries, Communist China and Portugal were until very recently also in that category. Secondary boycotts are less frequent, though still not rare.

The United States itself has been characterized by a former State Department Deputy Legal Advisor as an "Olympic champion of political trade controls;"[13] it has employed both primary and secondary boycotts or embargos extensively. In partial compliance with U.N. resolutions, a limited embargo of non-strategic or critical imports from Rhodesia has been maintained. And under the Trading With the Enemy Act, the United States has in recent years prohibited imports from and exports to North Korea, Vietnam (North and South), Cambodia, Cuba and (until 1972) China. In these respects, the Trading With the Enemy Act imposes a "primary" boycott. But the regulations under the Act have also forbidden U.S.-owned or -controlled firms, wherever they may be located, from exporting goods, even those not of U.S. origin, to the above countries without Treasury Department approval, which was almost uniformly withheld.

Thus, until 1972, many Canadian firms were prevented from exporting Canadian grain and oil to China because they were U.S.-controlled entities. And in a celebrated case the U.S. government in 1965 ordered the Fruehauf Corporation to cancel a contract

[13] Andreas F. Lowenfeld, "Sauce for Gander . . . the Arab Boycott and United States Political Trade Controls," *Texas International Law Journal* Vol. 12, No. 1, 1977.

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between its French subsidiary and an independent French truck distributor for the sale of truck trailers to China. Fruehauf's subsidiary being 30 percent French-controlled and actually managed by French nationals, a French court refused to enforce the U.S. regulation.

The U.S. Export Administration Act also prohibits firms in third countries, including non-U.S. firms, from transshipping or reexporting without approval to certain "Communist" countries certain U.S. goods or technology or goods manufactured abroad with U.S. materials. Firms buying such goods must sign certificates as to their end use and foreign firms found in violation of the U.S. law are "blacklisted" by the Commerce Department and denied all export-related privileges.

In the area of secondary-type sanctions, the U.S. Foreign Assistance Act prohibits the furnishing of assistance to countries which trade with Cuba or permit vessels to transport goods to Vietnam. The Battle Act (Mutual Defense Assistance Control Act of 1951) forbids economic, military or financial assistance to any nation shipping "strategic" goods (as defined by the United States) to the Soviet bloc, including Cuba. And Public Law 480 forbids the President from selling surplus agricultural commodities for local currency to any country which sells or permits its vessels to transport non-humanitarian goods to or from Cuba or Vietnam.

Similarly, the Maritime Administration has maintained a blacklist of foreign ships trading with Cuba, Vietnam and North Korea. Listed ships can never carry U.S. government cargo or call at U.S. ports unless the ships' owners pledge to refrain from sending any vessels to those countries again. The effect has been felt by third-country commercial traders; because no British shipowner was willing to be blacklisted by the United States, a British company in 1960 had to send cargo to Cuba on an East German ship.[14]

Like the Arabs, the United States uses blacklists and certification documents to police its boycotts. Indeed, when Congress first introduced legislation against the Arab boycott in 1965, Under Secretary of State George Ball opposed it in part because the State Department feared other countries would enact legislation in reprisal restricting the flow of information from foreign firms and governments which the United States received and depended on to enforce its own trade controls.[15]

[14] *Ibid.*

[15] *Continuation of Authority for Regulation of Exports and Amending the Export Control Act,* Hearings before the Subcommittee on International Trade, House Committee on Banking and Currency, May 5, 13, 20 and 21, 1965, p. 61.

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Thus Arab spokesmen have some justification in pointing out that by enforcing their own boycott they are merely doing what the United States itself has done for years. By its own use of primary and secondary embargos, the United States has accepted the practice of employing such embargos for political ends. Although the Arab tertiary boycott does introduce a new aspect which goes beyond usual international practice, U.S. precedents serve to undermine the contention that trade embargos, however practiced, are "unlawful" under international law.

VI

The Arab boycott existed 20 years before the U.S. Congress considered legislation against it and almost 30 years before legislation with significant impact was introduced. If the boycott raises issues of morality, discrimination and foreign intervention in U.S. business to the degree now contended, why did Congress or the executive not act sooner? As noted, one reason is that the United States itself engages in trade restrictions. More important was the fact that the boycott had negligible impact on the United States. Except for oil companies, there was relatively little U.S. trade with the Middle East before 1973; American exports to the area totaled a mere $200 million in 1964. Consequently, few U.S. companies were even in a position to receive boycott-related requests accompanying purchase orders or letters of credit.

The first anti-boycott legislation was passed in 1965 when Congress, in an amendment to the Export Administration Act, required that all U.S. exporters report to the Commerce Department the receipt and nature of any request having the effect of furthering or supporting the Arab boycott. This procedure was designed to monitor the boycott's impact on U.S. business. At that time Congress also passed Section 3(5) of the Export Administration Act, a hortatory measure without significant sanctions which to this day remains the officially defined U.S. policy on the boycott. That section reads:

> It is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States and to encourage and request domestic concerns engaged in the export of articles, materials, supplies or information, to refuse to take any action, including the furnishing of information or the signing of agreements, which has the effect of furthering or supporting restrictive trade practices or boycotts fostered or imposed by any foreign countries against another country friendly to the United States.

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Since 1965, however, two more Middle East wars, the 1973 oil embargo and subsequent price increases have drastically altered the situation. Friendly relations with the Arab countries have become as important to the Administration as maintenance of continued support for Israel. The boycott, on the other hand, has become an increasingly sensitive issue, as exports to the 18 Arab countries totaled $1 billion in 1971, jumped to $5.4 billion in 1975 and amounted to $6.9 billion in 1976. The Commerce Department projects that U.S. exports to the area will reach $10 billion before 1980, exclusive of consulting services and mammoth construction projects. As business with the Middle East has grown, so consequently, has the number of boycott-related requests.[16]

Proposed anti-boycott legislation has proliferated in like measure. No less than ten anti-boycott amendments to the Export Administration Act were introduced in the 94th Congress in 1975–76. A dozen more anti-boycott bills were introduced as amendments to other pieces of legislation.

Generally the proposed amendments to the Export Administration Act would have required that all boycott-related requests reported to the Commerce Department be made available to the public except where disclosure places a firm at a competitive disadvantage; heretofore, reports on boycott-related requests had been guaranteed confidentiality. The anti-boycott bills included prohibitions against participation in the tertiary and some aspects of the secondary boycott. Several stipulated that no company would be allowed to furnish any information, either about the religion of its employees or about the company's business associations with Israel, pursuant to a boycott-related request. At least one bill proposed that the restrictions pertain to all U.S. foreign subsidiaries as well as to U.S.-based subsidiaries and affiliates of foreign corporations.

In response to pressure and in order to forestall legislation, President Ford on November 20, 1975 took the first unilateral executive action on the boycott on the basis of a study ordered in March 1975. This action strengthened Commerce's rather loosely administered reporting requirements, improved monitoring of reports filed by U.S. business and prohibited compliance with boy-

[16] For example, between October 1, 1975 and October 1, 1976, 3,477 exporters, banks, freight forwarders, insurers and carriers reported the receipt of 169,710 boycott-related requests in connection with 97,491 transactions with a total value of $7.7 billion. Of the 169,000 requests, 15 were classified as discriminatory on the basis of race, religion or national origin. Forty-one percent of the requests were for a certificate that exports were of non-Israeli origin and did not contain material of Israeli origin. Just over one-third asked for certification that the carrier or airline was not blacklisted. Thirteen percent requested certification that the manufacturer, supplier or vendor was not blacklisted.

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cott-related requests which would cause discrimination against Americans due to race, religion, national origin, sex or color.

Also as a result of the November 1975 executive order and subsequent Ford Administration directives:

- Original regulations which required only exporters to report receipt of boycott-related requests, such as those for certificates of origin, were broadened to include all service organizations such as banks, freight forwarders and insurers.
- Whereas U.S. concerns previously had to simply report receipt of boycott-related requests, they now must indicate whether or not they complied with the request for information.
- The Commerce Department ceased disseminating notices of trade opportunities based on documents known to contain boycott provisions.
- All reports filed with the Commerce Department after October 7, 1976 and relating to the boycott are open for public inspection.

These executive actions did not halt congressional attempts to legislate. The Export Administration Act, according to one Congressman, needed "teeth" in it. Election-year politics and enactment of anti-boycott legislation in a half-dozen states also contributed to pressure for federal legislation.

Thus, in late August and early September 1976 the House and Senate passed anti-boycott amendments to the Export Administration Act, but last-minute parliamentary tactics by Senator John Tower stalled conference committee action on a compromise amendment and the Act actually expired September 30, 1976. (Its provisions, however, continue by executive order under authority of the Trading With the Enemy Act.)

The 94th Congress did pass other significant anti-boycott legislation. An amendment to the 1976 Tax Reform Act denies to U.S. corporations found to be participating (according to U.S. Treasury Department standards) in the secondary and tertiary boycott (1) foreign tax credits, (2) tax benefits to domestic international sales corporations (DISCs) and (3) deferral of taxation on foreign income derived by corporations from business in countries requiring boycott participation. It does not penalize participation in the primary boycott. This measure could have extremely important consequences, both in terms of its use of the tax code as a foreign policy instrument and with regard to future economic interests.

While the 94th Congress debated legislation, the Executive used the Bechtel case to test the legality of a tertiary boycott under U.S.

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antitrust laws. In early 1976, the Justice Department charged Bechtel Corporation, one of the world's largest private construction companies, which has several multimillion-dollar contracts in Saudi Arabia, with implementing an agreement to refuse to deal with U.S. subcontractors blacklisted by certain Arab countries and to require all its U.S. subcontractors to refuse to deal with blacklisted firms. The consent accord signed by Bechtel and the Justice Department in January 1977, although binding only on the parties, offers guidelines for the application of antitrust law to tertiary boycotts. Basically, the accord prohibits a U.S. company contracting to work on an Arab project from refusing to deal with blacklisted American companies in connection with that project; and from requiring other parties to refuse to deal with U.S. blacklisted firms in connection with the project; and from discriminating against American blacklisted firms in the course of assisting an Arab client to solicit, evaluate and select bids for the project.

The Bechtel accord affects relations among U.S. firms and within the United States; it does not affect the situation of U.S. companies when the Arab client unilaterally selects a subcontractor or procures goods and services. It may open up at least the bidding process for major projects to blacklisted companies but will probably not gain them direct entry into the Arab market.

VII

Within the first week of the current 1977 session of Congress, members again introduced anti-boycott amendments to the Export Administration Act. The amendments would make it illegal (1) to refrain from doing business with Israel or Israelis pursuant to a boycott-related request or requirement, (2) to refrain from doing business with blacklisted companies and (3) to refrain from employing or to otherwise discriminate against persons on the basis of race, religion or national origin. It would also proscribe the furnishing of any information on a person's race, religion or national origin (although this is already illegal as a result of the November 1975 executive order) or the furnishing of information on a party's past, current or proposed business relationships with Israel or blacklisted firms.

All the bills proposed would permit a U.S. company to comply with an Arab country's prohibition against importing Israeli goods or transshipping goods to Israel—that is with the primary boycott. Bills introduced by Representative Jonathan Bingham and Senator Harrison Williams, however, would make it illegal for a company

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to supply a negative certificate of origin and therefore would in effect legislate against the primary boycott by prohibiting compliance with means necessary to enforce it.

A bill introduced by Senator Adlai Stevenson does permit U.S. firms to supply certificates of origin of goods, whether in positive or negative form. The Senator, apparently recognizing the futility of legislation against a primary boycott, remarked that his bill

> bows to the reality that an end to the primary boycott rests upon resolution of the underlying issues in the Middle East conflict and an attempt by the Congress to legislate an end to the boycott would be futile and contrary to the best interests of both Israel and the United States. . . . The boycott is grounded in long standing and deep seated antagonisms. It is part of a continuing Arab struggle against Israel and it will be ended only when there is a permanent peace in the Middle East.[17]

VIII

The positions of those favoring and those opposing legislation against the boycott have remained basically unaltered since legislation was first introduced in Congress in 1965; only the level and extent of confrontation has changed.

The belief that the boycott entails religious discrimination does not appear to be as prominent a congressional motivation today as two years ago, perhaps because reports of such discrimination have been few since the Ford Administration's 1975 directives. Frequently heard, however, is the charge that by requiring a company to certify it is not blacklisted or requiring it not to deal with a blacklisted firm, the boycott forces American companies, which are not parties to the Middle East conflict, not only to observe the boycott but police it for the Arabs. Representative Benjamin Rosenthal stated last October: "We have no problem with the Arabs having a primary boycott of Israel. Our problem is with the secondary and tertiary elements which force one company to discriminate against another American company because the Arabs say so."[18] The American-Israel Public Affairs Committee has asserted the boycott meant U.S. firms had to give up Israeli business for fear of losing Arab business.[19] Without legislation, proponents allege, the United States is in fact abetting a policy hostile to its traditional ally, Israel.

On the other hand, successive Administrations have opposed

[17] *Congressional Record*, January 10, 1977, p. S252.

[18] Hearings of the Subcommittee on Commerce, Consumer and Monetary Affairs, House Government Operations Committee, October 20, 1976.

[19] Hearings cited *supra* note 15, p. 204.

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anti-boycott legislation on the grounds that U.S. law would not end the boycott and in fact might lead to more stringent application.[20] Because the boycott is a direct result of the Middle East conflict, successive Administrations have claimed that the boycott can best be handled through diplomatic efforts and the promotion of a Middle East settlement. Administration witnesses have also testified that legislation prohibiting compliance with boycott procedures could hamper Mideast peace prospects, foreclose U.S. access to Arab markets and adversely affect the U.S. balance of trade.

There have been no published reports on the economic consequences of federal or state anti-boycott legislation and it is difficult to estimate accurately their effect. According to the Bureau of Labor Statistics, every one billion dollars in exports provides 40–70,000 jobs; opponents of boycott legislation thus extrapolate that legislation could, at current export rates, deprive 300–500,000 Americans of jobs. This probably overstates the case—legislation will very likely result in fewer exports to the Middle East, at least initially, but it is unlikely to cut off all trade with the area. Nor would it (presumably) affect military sales.

New York State has had an anti-boycott law in effect since January 1, 1976. Shippers and insurers contend that, as a result, many letters of credit and marine insurance policies once processed in New York are now being processed in states without restrictions and that substantial cargo is being diverted from New York to Norfolk, Houston and other ports.[21]

Predicting the future economic effect of the present anti-boycott measures is also difficult, but it seems unlikely that they will increase the access of blacklisted companies in the Arab world. It is probable that many companies which are either minimally involved in the Middle East or are merely contemplating trade there will simply avoid the market. The combined pressures of paperwork to report activities to the U.S. government, proposed congressional legislation to prohibit certain corporate activities in relation to the boycott, threat of loss of tax benefits and threat of antitrust litigation by the government or private parties will serve as deterrents. Medium- and small-sized U.S. companies, unlike multinationals, cannot absorb the initial legal, consultant and administrative costs incurred in understanding and coping with the boycott.

The business community also fears that legislation will cause

[20] Before their increased wealth and before the advent of U.S. legislation against the boycott, the Arabs administered the boycott poorly. There is some evidence to suggest that publicity has caused the Arabs to beef up use of certification and other enforcement procedures.

[21] *Extension of the Export Administration Act of 1969,* Hearings before the House International Relations Committee, Part I, June 8–11, 15, 16 and August 10 and 24, 1976, p. 232.

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U.S. companies to lose business in the Middle East to other countries which do not prohibit observation of the boycott.[22] However, until recently very few companies or business groups have actively lobbied against it or participated in congressional hearings.[23] Some of the companies which might otherwise have been most likely to speak out were the same ones which have been the target of congressional criticism for foreign payoffs, oil price increases and big profits. These companies apparently believed, because of their already tarnished images, that overt, active lobbying efforts would be futile and further damage their reputations. Other companies may have feared domestic counterboycotts if they opposed it.

Business is also sensitive to accusations that it "participates" in and supports the boycott by simply responding to informational requests imposed by nations enforcing the boycott. Businessmen argue that this sort of compliance, i.e., certifying as to origin of goods or absence of business involvement with Israel, can and should be distinguished from supporting or participating in a boycott by altering business practices in response to such a request. A company may have no more reason to build a plant in Israel than in Honolulu; thus failure to do business in Israel in and of itself is not to be considered accommodation or support of the boycott—even if a company has responded to an informational request.

IX

If currently pending legislation is passed in its more stringent forms, it may slow the momentum toward Middle East negotiations. Certainly the passage of legislation affecting the primary boycott would be seen by many Arabs as an infringement of their sovereign rights to monitor the origin of imports. And the passage of any stiff legislation at this time will be taken by some, if not all, Arabs as a sign of U.S. bias toward Israel, thereby discouraging the Arab overtures for renewed negotiations for an overall settlement which have been particularly numerous since last December.

Nor is the legislation likely to break the boycott. Various Arab officials, such as Crown Prince Fahd of Saudi Arabia, have reiterated that the boycott will not end until a settlement is reached. Even if the Arabs were to gradually ease some of the secondary and

[22] The United States is the only country with legislation against the Arab boycott. The Chambers of Commerce of some countries, such as Italy and Germany, refuse to certify negative certificates of origin. Canada is considering legislation against the boycott but none has yet passed.

[23] Business began to lobby against legislation in some measure in late 1976 when Senator Ribicoff introduced legislation to deny tax benefits to companies participating in the boycott. There is some evidence business may more actively oppose passage of legislation by the 95th Congress.

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tertiary requirements of the boycott as a gesture of goodwill, they will not end the boycott totally without a peaceful settlement.

Arab ministers have also stated that, in the event of prohibitive legislation, they would turn to other suppliers—such as Europe or Japan—who have no restrictions. Proponents of legislation voice skepticism about these declarations, contending that the Arabs prefer U.S. goods and that, while a few major projects may be cancelled in initial retaliation, Arab states in the long run will not reduce trade with the United States. A definitive prediction here is impossible. Certainly Arab states are known to prefer certain types of U.S. goods and services, particularly those embodying high technology. One can only speculate whether the Arabs would continue to exercise this preference in the face of U.S. pressure on an issue which the Arabs view as one of national sovereignty. There are many substitutable non-U.S. sources for the bulk of U.S. exports to the Middle East. Even now, U.S. exports account for less than 15 percent of total Middle East commercial imports.

Because it is at least equally likely that the Arabs would respond to legislation by tightening boycott enforcement, it is important to recognize that this would represent a significant setback for U.S. trade and diplomacy, for the Arabs have quietly been easing boycott implementation in recent months.

The boycott was conceived on paper as an emotional and economic reaction to a political conflict. It was probably drawn up without thought that 25 years hence it would, as a result of increased U.S.-Arab trade, be subjected to microscopic examination by Western businessmen, lawyers and politicians. During the same period of time, as a result of increased economic and political contact with Western countries and Western education of the younger generation, the Arabs have developed more sophisticated views of the West and its values.

Some Arab countries have hired Western lawyers to advise them about the foreign legal impact of the boycott. Governments are more aware of erroneous or poor administration of the boycott at middle or low levels. These changes have not occurred for any single reason. It is noteworthy that onerous requirements, such as the Star of David or incorrect translations as discussed earlier, were corrected when raised through diplomatic channels, but on the whole the efforts of businessmen probably have most to do with the changes which have emerged. Whether out of their own self-interest in the face of U.S. legislation or out of a sense of moral responsibility, businessmen have significantly contributed to the education of Arabs on the boycott, its ramifications abroad, and U.S. views, terminology and laws on the subject.

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A prime example is the gradual change to positive certificates of origin, rather than negative ones, by many Arab countries, including Kuwait, traditionally regarded as one of the strongest enforcers of the boycott. Application is not uniform, of course, among the countries or even among institutions within one country. The Arab boycott committee, at its semiannual meetings last May and November, recommended that countries adopt a positive certificate of origin. Government advisory statements have been promulgated to this effect to consulates, including those of Saudi Arabia, Libya and Iraq. The Bahrain Chamber of Commerce, obviously acting on a government directive, issued an open letter this past January stating that positive certificates were not only acceptable but encouraged. Should a product not be wholly of one country, the Bahrainis require that the nationality and proportion of the foreign components in the product be stated on the certificate.[24] The U.S.-Arab Chamber of Commerce is advising members, reportedly with permission of Arab governments, that the practice outlined by Bahrain is acceptable for all Arab countries.

Not all Arab consulates abroad are routinely implementing these new procedures. Individual consular officers have expressed the view that by accepting positive certificates the Arab governments are "yielding" on the boycott; these diplomats find that repugnant as long as there is no peaceful settlement of the political conflict. Practically speaking, even though a consulate's regulations may not specify a positive certificate of origin, companies are known to be regularly submitting positive certificates, which are accepted.

In general, companies have been able more frequently to negotiate restrictive boycott clauses out of contracts. Not long ago, a U.S. dairy producer notified its Bahraini agent it did not wish to comply with any boycott conditions in a sales agreement; the agent requested 48 hours for investigation. Within 24 hours, he notified the firm it would receive a new set of shipping documents without restrictive language. A $240 million contract awarded last month to a British and American firm by Saudi Arabia contained no boycott clauses. A U.S. consulting engineering company working in six Arab countries informed Senator Harrison Williams last month

[24] The Bahraini letter actually implements boycott principles enacted many years ago. The *General Principles for Boycott of Israel, op. cit.*, section 2, A–C specifies that a certificate of origin "affirming the goods exported originated solely in the exporting country and the name of the factory or company producing the goods" accompany all imports. If the goods contain material or workmanship originating in a foreign state other than the state producing the goods, the fact, according to the *Principles*, must be stated in the certificate of origin. Negative certificates of origin resulted from individual country practice rather than adherence to specific provisions of the *General Principles*.

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that it had just signed a contract with no boycott-related requirements. An analysis of reports to the Commerce Department in the last year reveal that only 13 percent of the boycott-related requests could be considered secondary or tertiary in nature; the remainder were primary boycott requests.

In sum, the combination of limited legislation and the representations of governments and business has clearly modified the application of the boycott itself and particularly reduced sharply the incidence of discriminatory practices.

x

Stringent legislation, however, would inject an entirely different element. Past history on nations' reactions to legislation affecting what they see as their vital interests bodes ill for the continuation of present positive trends in the face of tough anti-boycott legislation. The failure of the Jackson-Vanik amendment to secure the emigration of Jews from the Soviet Union by threatening to withhold most-favored-nation status is a prime example of the counterproductive effects of this sort of pressure.

In the last analysis, there could be little question that the United States—committed as it is to the support of Israel's continued existence as a viable state—would have every reason for governmental intervention if the boycott, as applied, were in fact having, or were in prospect of having, a significant adverse effect on the economy of Israel. However, there is little if any evidence that this is the case. Rather the argument for stringent anti-boycott legislation rests on moral repugnance, plus (on the part of some) a desire to limit American economic ties to the Arab states.

As to the moral factor, the record of the United States itself makes this a weak argument for further governmental action directed against the boycott itself (as opposed to discriminatory practices of a religious or ethnic nature); moreover, existing publicity requirements surely put private interests sufficiently in the open as to the individual choices they make, whether on moral grounds or otherwise. And, finally, American economic ties to the Arab world are not simply a matter of adequate oil supplies or other direct benefits—crucial as these are—but of the whole relationship. With American influence among the Arab states a vital element in the search for a Middle East peace, it is open to grave doubt (including a moral element) whether the United States would be acting in the interests of lasting peace and constructive relationships in the area if it now took governmental action that could not fail sharply to reduce those ties.

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Dankwart A. Rustow

U.S.-SAUDI RELATIONS AND THE OIL CRISES OF THE 1980S

In the next five to ten years, the industrial world's demand for oil from the Organization of Petroleum Exporting Countries is likely to catch up with the amounts that OPEC countries will be able or willing to make available for export. The leading oil exporter, with more than a fourth of the world total, is Saudi Arabia; the world's largest consumer of oil—and since the lifting of import quotas in the spring of 1973 its leading importer—has been the United States. At what exact point the ascending curves of global demand for oil imports and of available OPEC exports will intersect will therefore depend in large measure on policies adopted by the United States in the next year or two, and by Saudi Arabia in the next five to ten.

The third major variable will be the rate of the industrial world's recovery from its 1973–75 recession, itself partly dependent on American and Saudi policies from year to year. But whenever the demand and supply curves do intersect, or approach their point of intersection, there is serious danger of physical shortages of oil throughout the non-communist world, of a second price jump comparable in amount to that of 1973–74, and of a series of confrontations not only between the United States and Arab oil-exporting countries but also between the United States and its allies in Western Europe and Japan.

Forecasts of future oil supply and demand in industrial countries drawn up under the immediate impact of the 1973 crisis have since been recognized as far too optimistic. Consumers have done little to curtail their use of energy in response to high prices; governments have been laggard in enforcing conservation, and irresolute in promoting the development of alternatives to oil; coal and uranium have risen in price; and the Alaska pipeline, construction of nuclear power stations, and offshore drilling programs have all

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encountered numerous delays.[1] Even the more cautious recent estimates, however, still concentrate chiefly on trends and policies *within* consuming countries. Typically, they predict overall economic growth rates, costs of alternative energy sources, and the likely impact of actual or potential government policies in the United States, Western Europe, and Japan; calculate the expected excess of energy demand over supply within the countries represented in the Organization for Economic Cooperation and Development (OECD); deduct minor amounts representing oil exports of China, Mexico, and other non-OPEC oil countries; and enter the residual amount for 1980, 1985, or 1990 under a rubric labeled "oil imports required from OPEC."

Such an approach implies a remarkable blindness to events since 1973, one lesson of which is surely that major OPEC countries, together or in various subcombinations, have emerged as independent actors on the world scene. This article, therefore, rather than treating OPEC exports as a residual item to be inferred from demand and supply in OECD countries, will examine in some detail the economic interests of individual OPEC members, and more particularly the past and likely future oil policies of Saudi Arabia, as OPEC's leading member. In short, it will reject the comforting assumption that imports from OPEC will somehow fill the gap between energy demand and supply in industrial countries. Rather, it will argue that the gap between aggregate future demand, on the one hand, and OECD internal supplies *plus* imports from OPEC, on the other, must be reduced and filled by vigorous new policies of conservation and energy development in all consumer countries, and particularly in the United States.

Relations between the two chief protagonists of the oil drama of the 1970s and 1980s—the United States and Saudi Arabia—have been based on a long-standing tradition of friendship. Saudi Arabia is the only major OPEC country with oil resources that have been developed wholly by American companies. While Britain and Iran in the early 1950s were deadlocked in a bitter dispute over nationalization of the Anglo-Iranian Oil Company, ARAMCO

[1] For example, the OECD in December 1974 published its *Energy Prospect to 1985*, and in January 1977 a new study entitled *World Energy Outlook*. The earlier study distinguished three possible price levels, of which the third ($9 per barrel in 1972 dollars) corresponded roughly to prices in effect at the time of publication. A comparison of this "$9 case" of the 1974 study with the "reference case" of the 1977 study indicates that expectations of overall consumption of energy in OECD countries have gone down by 7 percent (mainly due to the expectation of slower economic growth), but that expectations of oil production went down by 32 percent and expectations of oil imports rose by as much as 72 percent. Similarly, the task force reports of the Nixon-Ford Administration's "Project Independence," which envisaged U.S. freedom from oil imports by 1985 (but then only for "a few years") were quickly recognized as overly optimistic—and, of course, never fully acted upon.

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(The Arabian-American Oil Company) and Saudi Arabia introduced to the Middle East the principle of "50-50" profit-sharing between governments and companies. Two decades later, as Iraq, Algeria and Libya proceeded once again (and under more favorable circumstances) to unilateral nationalization, Saudi Arabia instead promoted the device of gradually increasing government "participation." More recently, since mid-1974, Saudi Arabia has repeatedly restrained OPEC's price hawks, keeping increases in the global price of oil roughly in step with world inflation; conversely, the United States has been willing to supply major consignments of the most modern weapons to the desert kingdom. But Saudi Arabia's initiative in wielding the Arab "oil weapon" against the United States in the fall of 1973, and Secretary Kissinger's hint a year later that the use of "force" against oil-producing countries could not be ruled out—in a future "grave emergency" "where there is some actual strangulation of the industrial world"[2]—indicate the potential for serious conflict beneath the placid diplomatic surface.

Whether American-Saudi relations in the coming decade will turn toward cooperation or confrontation will depend in part on the further evolution of the Arab-Israeli conflict. More crucially, it will depend on the measures that the new Administration will be able to devise—and Congress and the American public will be willing to support—to reduce our ever-growing dependence on imported oil.

II

No one can predict with any assurance or precision the levels of energy use, oil consumption, and demand for oil imports for which non-communist countries are headed in the 1980s. The quintupling of oil prices in 1973–74 aggravated the world recession that had begun somewhat earlier, and it is hard to tell how much of the subsequent drop in demand has been due to price elasticity (that is, energy savings and substitution due to consumer resistance to soaring prices) and how much to the worldwide slackening of employment, investment and trade. World consumption of oil declined for the first time in a quarter century, from 47.8 mb/d (million barrels a day) in 1973 to 45.1 mb/d in 1975, and responsible economists attribute most of this decline not to price but to recession. (Correlating monthly figures for global oil trade with indexes for the business cycle does not resolve the issue, since factors such

[2] Kissinger's interview appeared in *Business Week*, January 13, 1975, but was widely reported in the daily press by late December 1974.

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as the replenishing of oil storage tanks after the embargo or before expected OPEC price rises in October 1975 and January 1977 intervene.) Before 1973, the industrial world's energy consumption and its gross domestic product rose at the same rate. The consensus among experts now is that this ratio or "energy coefficient" in the future is likely to fall somewhat – from 1.0 to roughly 0.9 if conservation and substitution measures lag and to as low as 0.8 if they are pursued with vigor and success.

Three further caveats are in order. The first is that for the United States reduced energy consumption (the 1975 figure was about five percent below that for 1973) has *not* meant reduced dependence on OPEC imports. Our domestic production of oil and natural gas has declined since the early 1970s, coal production has remained unchanged, nuclear capacity has expanded somewhat, and oil imports from Canada have been phased out year by year. The net result has been that U.S. oil imports have risen from 4.7 mb/d in 1972 to 6.8 mb/d in the first half of 1976, with, incidentally, a marked shift within that total from non-Arab to Arab sources.

The second caveat is that seemingly minute variations in economic growth or in the rate of energy consumption will mount exponentially over the years: a growth rate of 5 percent with an energy coefficient of 1.0 means that consumption will rise by 63 percent in a decade; 4 percent growth and an 0.9 coefficient will mean a rise of 42 percent; and a 3 percent growth rate and an energy coefficient of 0.8 imply a rise of only 27 percent. On the basis of calculations such as these, the OECD's current projection is that member countries will need to import a total of 30.0 mb/d in 1980, as against 25.3 mb/d in 1974. By 1985 OECD's need for imports from OPEC may drop slightly to 24.4 mb/d, or go up as high as 38.8 mb/d, depending on energy policies pursued by major member countries and on the prevailing growth rate in industrial economies.

We shall return to these figures and the assumptions behind them in a later context. But one point should be emphasized which the OECD, and its affiliate, the International Energy Agency, as multilateral organizations representing a score of countries,[3] tend to be cautious in spelling out: the major single factor making for this considerable spread – and hence the major factor that will either precipitate or avert a major crisis between OECD countries

[3] The 19 countries included in the International Energy Agency are the United States, Canada, Japan, New Zealand, 8 countries of the European Community (all except France), Austria, Greece, Norway, Spain, Sweden, Switzerland and Turkey. The Organization for Economic Cooperation and Development (OECD) also includes Australia, Finland, France, Iceland and Portugal.

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and OPEC in the 1980s—is the policies with regard to conservation, encouragement of oil production, and development of substitutes which the world's most voracious energy consumer, the United States, will or will not implement in the next decade.

The third caveat concerns a widespread misapprehension about the North Sea and Alaska. North Sea oil is likely to make Great Britain independent of OPEC imports by the early 1980s. It has already made Norway into an exporter of some significance, and will increase its exports to the level of one of the lesser members of OPEC in the next decade. Oil from Alaska, once it starts flowing, will temporarily make up for the decline in oil production elsewhere in the United States and, also temporarily, delay our need for increased imports. But the 2 mb/d or so that will flow from Alaska by 1980 are exactly equivalent to the rise of U.S. oil imports in the past four years.

For the OECD area as a whole, the North Sea and Alaska together will delay any given level of import dependence by perhaps three or four years; absent other factors, they will not stop the growth of that dependence. As far as the need for oil imports is concerned, we have to run very fast to be standing still. To keep to a steady, let alone to a declining, rate of imports, the oil companies would have to discover another North Sea and Alaska every two or three years—or rather, since development of such fields takes a decade or more, to have kept on discovering them at that rate ever since the mid-1960s. As things are, the North Sea and Alaska offer to the oil needs of the industrial world not a cure but a mere reprieve.

III

Forecasts of how much oil will be available from OPEC to meet the growing demand of industrial countries are rarer and even more tenuous than those of demand. Too many Western observers still are caught in a "bygone view of the capacity of leaders in less-developed countries," and thus fail to analyze seriously the national interest of OPEC's member-states or their individual and collective decision-making processes. Or else they tend to ask what is to be done before raising the prior question what is happening to us.[4] By the Tehran and Tripoli agreements of 1971, the OPEC countries won the right to determine unilaterally the price they would

[4] The quoted phrase is from James E. Akins, "The Oil Crisis: This Time the Wolf Is Here," *Foreign Affairs*, April 1973, p. 473n. On the proper priority between the two questions with regard to the world oil scene, see Dankwart A. Rustow and John F. Mugno, *OPEC: Success and Prospects*, New York: New York University Press for the Council on Foreign Relations, 1976, pp. v–vi.

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ask for their exports and the rate at, and conditions under, which their subsoil resources would be exploited. Their move has gone unchallenged since that time and been accepted by the world at large. Taking advantage of a variety of circumstances, they have converted those abstract rights of sovereignty into concrete gains of about $100 billion a year. Therefore, it is not enough to calculate, as is often done, the amount of "imports required from OPEC" on the basis of projections of OECD consumption and domestic production of energy. Rather, it becomes imperative to examine what motives and considerations will determine the amounts of oil that countries such as Libya, Kuwait, Venezuela, Iran, Iraq, and above all Saudi Arabia will allow to be extracted from their subsoil and offered to the world market in the 1980s.

The classic cartel of the economics textbooks, formed usually by private firms, sets a ceiling to overall production, allocates each member's share within that total, and sits back to watch prices rise in response to this deliberate curtailment of supply. A variant is the "basing point" system, which in effect divides the market into geographic fragments within each of which one producer or group of producers becomes a monopolist. OPEC—a limited-purpose association not of firms but of newly sovereign governments—after a decade of experimentation, hit upon a further improvement of cartel technique. It has never set a ceiling on overall production or allocated production shares among members. Rather, it unilaterally began to set the cartel members' revenue per unit of production (82 cents per barrel in 1960, 95 cents in 1970, $2.27 in 1973, and $10.09 in 1975)—which, after all, is the very purpose of the cartel exercise. At first the market continued to expand rapidly despite rising unit income (production rose from 22.1 mb/d in 1970 to 30.8 mb/d in 1973). Then, after the five-fold price increase of 1973–74, production declined somewhat in 1975 and rose again slowly in 1976—but aggregate revenue for OPEC as a whole, and for most of its individual members, continued to increase year by year: $22.5 billion in 1973, $90.5 billion in 1974, $93.3 billion in 1975, and around $117 billion in 1976.[5] All of this clearly indicates that OPEC has not yet reached its short-term maximum profit—that magic level where elasticity equals 1 and where every rise in price is offset by a more than equivalent drop in sales.

Although OPEC as such has never limited aggregate production or parceled out allowable shares, its Arab members, with the

[5] For per barrel revenues and production, 1970–73, see *ibid.*, pp. 129 ff.; other figures are from *The Petroleum Economist*, September and October 1976. The 1976 aggregate revenue figure is my estimate.

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exception of Iraq, cut production by as much as 26 percent while wielding their "oil weapon" against the United States and certain other countries; and it was the anticipation of shortages and the resulting panic in the petroleum market that set the stage for the dramatic price rises instituted by all OPEC members subsequently. Before and after the Arab embargo, the limitation of production has been left to individual countries, and 6 of 13 OPEC members have exercised that option. Yet only in Venezuela, Kuwait, Abu Dhabi (the leading producer of the United Arab Emirates), and Qatar has the imposed legal limit actually curtailed the amounts that would otherwise have been produced. Elsewhere it is still the network of multinational oil companies (as production concessionaires until the early 1970s and since then, in effect, as contractors and guaranteed bulk purchasers of most of OPEC's oil) that have adjusted weekly and monthly production levels in the light of government-set revenues per barrel, production costs, differential qualities of crude, transportation costs, and world demand at given prices.[6]

OPEC governments and oil companies have similarly cooperated in programs of exploration and development of new fields, although here it has been the governments that have made the crucial decisions. Nor is this surprising; for with most OPEC countries having a production to "proven reserves" ratio of 30 to 100 years, there is no commercial incentive to spend money so as to enlarge what Professor M. A. Adelman has called the "shelf inventory" of the industry. And the high government charges on OPEC oil have been a further disincentive, so that most exploration in recent years has concentrated on the offshore and Arctic areas of OECD countries or on Third World countries that are not yet members of OPEC.

At least five sets of data are directly relevant in forecasting the supplies of petroleum that will be available from OPEC to the rest of the world: past levels of production, legal limits on production, installed capacity, "proven reserves," and additional oil resources, the existence of which may be inferred from geological studies.

I have put "proven reserves" in quotation marks, because, of all these data, they are the least reliable. Available figures are based on published estimates by companies, or more recently by governments, which may have good reasons for estimating cautiously or generously. For instance, a company may wish to put its competi-

[6] Other considerations have also entered the companies' calculation of commercial self-interest. For example (as mentioned in the text), production has risen steeply before every OPEC meeting at which price increases were expected, as in October 1975 and January 1977, thus ensuring sizable inventory profits for the companies if the price did rise, with no risk of loss if it did not.

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tors off the scent of a promising new find or to ward off governments eager to tax or to nationalize; or a government may wish to enhance its stature within OPEC or in world oil councils. Above all, reserves are "proven" by systematic drilling, and here the same factors of caution or generosity apply. So does the cost factor: it rarely is worth the expenditure simply to prove that you have reserves amounting to, say, 50 rather than 25 years of current production. Although a production to reserves ratio can readily be calculated (e.g., 58 years for Saudi Arabia; 11 years for the United States) it should not thus be assumed—unless exploration has been exhaustive and drilling for "proving" complete—that the country after the given number of years will run dry. Finally, all reserve estimates refer to "recoverable" reserves, and what amounts are economically recoverable depends on prices and technology, two factors subject to future variation.

Three examples will illustrate the economic and political considerations that enter into the decision to prove reserves and to set amounts of production. When the Iranian oil industry was shut down in 1951–54 as a result of the nationalization dispute between BP (British Petroleum) and the Mossadeq government, exploration in other Persian Gulf countries was stepped up intensely by the companies, and in three years 25 times as much oil was added to "proven reserves" as had ever flowed from the fields in Iran. The increases were most dramatic in Saudi Arabia, where four of BP's competitors shared the concession, and in Kuwait where BP itself held a half share. It was this drilling program (and accompanying increases in production) that enabled the companies to frustrate Mossadeq's nationalization attempt.

The second example concerns Iraq, where exploration activity came to a virtual halt when the government was taken over in 1958 by radical and later distinctly pro-Soviet juntas. Iraq responded by expropriating vast concession areas where no drilling had in fact occurred—and in the following years, the claims of proven reserves increased substantially.

The third example is from Iran,[7] where a dispute developed in the mid-1960s between the Shah's government, which wanted to increase revenues (and hence production for export), and the multinational oil consortium, the senior partners of which pre-

[7] Documents related to this dispute with the Shah and among consortium members were published in the Church Committee Hearings; see *Multinational Corporations and United States Foreign Policy*, Hearings before the Subcommittee on Multinational Corporations, Committee on Foreign Relations, U.S. Senate, Washington: GPO, 1974, especially part 7.

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ferred to produce in Saudi Arabia or Kuwait (where they alone controlled the concessions) rather than in Iran, where a dozen or so smaller competitors were entitled to their share of consortium production.

The factors that have prompted OPEC governments since 1971 to make their own decisions on pace of exploration and rates of production relate to geology, economics and politics. Some governments, such as Iran and Algeria, have pushed exploration and have been eager to secure maximum revenues (and hence production) without breaking the common OPEC price structure. Both countries have relatively diversified economies whose growth they are eager to advance; hence they have been among OPEC's price hawks, and even in the recent slack market have produced at about 85 percent of their respective capacities. Iran, when its oil production declines in the future, expects to receive additional large revenues from its ample gas deposits. Libya, with a diminutive population, few opportunities for economic development outside of oil, and a large foreign exchange reserve, has limited production from some fields so as to prevent a drop in pressure that would reduce total ultimate rates of recovery. Kuwait, inheriting vast proven reserves from the concessionaire companies (82 years of current production), has successively limited output since 1972. Its small population already enjoys a high, welfare-state standard of living, and its imports (in 1975) amounted to just over a quarter of the value of its exports. Presumably, Kuwait therefore prefers keeping much of its oil underground rather than converting it into even larger (and possibly quickly depreciating) reserves of foreign exchange.

Venezuela boasts the highest literacy rate and the highest level of overall economic development of any OPEC country. Here, as in Libya, production has been limited for reasons of conservation to such amounts as can be lifted without having to flare off associated gases. Even at these reduced rates, Venezuela earns about twice as much from its exports as it spends on imports, and its exchange reserves amount to another 10 months of current imports. But Venezuela has been a sizable exporter for longer than most OPEC countries (production began in 1917), and at current rates the reserves to production ratio is 17 years. In addition, Venezuela has vast amounts of "heavy oil" in its Orinoco tar sands belt, estimated at more than 300 times the amount of production from the presently exploited oil region. Sometime in the next decade, Venezuela will have to decide when and how to develop these additional hydrocarbon resources in an inaccessible and virtually uninhabited area.

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IV

OPEC's key member, of course, has been Saudi Arabia. The Saudis, as we saw, became the world's leading exporter of oil as a result of policies adopted in the 1950s and 1960s by the four American companies that were the joint owners of the ARAMCO concession; it was this expansion of Saudi and other Middle Eastern supplies that fueled the dramatic postwar recovery and economic expansion in Western Europe and Japan. When the Saudis themselves began to take things in hand in the early 1970s, they undertook the first phase of a massive additional drilling program which enhanced their production capacity even further. (In the first half of 1976, Saudi production averaged 8.2 mb/d while installed capacity was estimated at 11.8 mb/d; this meant that their *excess* capacity was more than two-thirds of Iran's production and more than the total production of any one of OPEC's other 11 members.)

In 1973 and 1974 the Saudis took the lead — or in some instances at least willingly participated — in the dramatic price increases that raised the government revenue on each barrel of their "marker crude" from $1.77 in early October 1973 to $3.05 at the time of the Yom Kippur War, and $9.69 by mid-1974. For the Saudis the result was a rapid accumulation of foreign exchange reserves: from $662 million in 1972 to $24.6 billion in mid-1976 — the latter figure being two-thirds that of West Germany and about one and a half times that of the United States or Japan.

High rates of oil production for export, a substantial excess capacity, and mounting foreign exchange surpluses thus have laid the solid foundation for Saudi Arabia's oil policy in recent years. That policy has its economic and its political aspects, and may be summed up under five headings.

1. *Price Moderation.* The Saudis since 1974 have spent less than one-third of their annual export earnings on imports, and the resulting accumulations of foreign reserves give them a tangible stake in preserving the health of the major industrial economies on which the continued value of their foreign assets depends. Hence, from about the middle of 1974, the Saudis have opposed any pressure from OPEC's price hawks for price increases in excess of the global rate of inflation. Their action at Qatar, in December 1976, raising their own price by only 5 percent, as against the 10 percent immediate rise agreed to by the OPEC majority, is in part a logical extension of that policy.

2. *Preventing a Price Break.* Their large excess capacity has guaranteed to the Saudis the all-important role of regulator of the

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OPEC cartel. All OPEC members share an interest in maintaining the cartel, the reward currently being in the neighborhood of $100 billion a year, and the financial penalty for a breakup a corresponding loss. But, like most group interests, this one is not necessarily self-enforcing, and we saw in the preceding section that the specific economic interests of individual members diverge widely. Kuwait has reasons for preferring oil in the ground to (possibly depreciating) foreign exchange reserves; Algeria, as OPEC's only member with a current trade deficit, on the contrary loses money on any oil that stays in the ground as long as the price does not rise at the combined rate of world inflation plus the average return on investments; and Iran, counting on its gas reserves once the oil runs out, also wants to obtain the maximum current return so as to develop its populous economy. Hence OPEC might well succumb to the common danger in all cartels, of one or another of the cartel members trying to get even larger returns by expanding its market share through hidden discounts. As Professor Adelman has succinctly put it: "Every cartel has in time been destroyed by one then some members chiselling and cheating."[8]

In OPEC's case the ultimate guarantee against such collective financial suicide is precisely Saudi Arabia's spare capacity. Among the price hawks, as we saw, Iran and Algeria have already been producing close to their respective physical limits, their spare capacity being 18 percent for Iran and 16 percent for Algeria; for Indonesia it is as low as 14 percent. This means that if a growing pattern of "chiselling and cheating" were to lead to an all-out price war, and with it to maximum production, all these countries would begin losing money as the price dropped by as little as 14–18 percent, whereas the Saudis could hold out, increasing both production and revenue, until the price dropped by as much as 44 percent.[9]

3. *Preventing Excessive Price Rises.* The Saudis' implied threat to raise production to their full capacity is just as effective in the opposite direction, that of preventing price increases by other OPEC members that would be substantially or for prolonged periods in excess of the Saudi level. The aftermath of the December 1976 OPEC meeting in Qatar illustrates the point. Eleven members agreed on a price increase of 10 percent as of January 1977 and of 15 percent as of July, whereas Saudi Arabia announced an increase

[8] M. A. Adelman, "Is the Oil Shortage Real?" *Foreign Policy,* Winter 1972–73, p. 87.

[9] For an arithmetical demonstration for OPEC as a whole, see Rustow and Mugno, *op. cit.*, pp. 100–102.

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of only 5 percent. (The Saudis were joined by the United Arab Emirates [U.A.E.] which also have a sizable and mounting financial surplus and in any case have been eager to maintain good relations with their powerful neighbor to the south.) If the Saudis and the U.A.E. had been able and willing to shift at once to their maximum reported capacity, this would have resulted in a drop in production in the other 11 OPEC members of about 24 percent, converting a 10 percent price increase into a net *loss* of 16 percent in their total revenues.

There were, however, several factors to cushion such a drastic effect. First, for technical reasons any substantial increase in production must be phased in over several weeks or even months, and there remained some doubt whether the oil terminal facilities at Saudi ports would be capable of handling the full capacity flow of their fields; indeed, since Saudi production had never before reached more than 9.4 mb/d, some doubt attached even to the widely reported capacity figure of 11.8 mb/d. Second, crude petroleums of various gravities and sulfur contents cannot, in refining and marketing operations, be substituted at will. Since the Saudi spare capacity is chiefly in the heavier grades of crude, it is most immediately competitive with production in Kuwait, Iran and Iraq. And, third, the major oil companies do not feel free to break valid contracts or even to upset established supply relations with a given country, especially since a renewed Arab embargo might make them desperate once again for oil from non-Saudi sources. Hence the major impact of the dual price structure would be felt in that share of the market represented by sales from a government-owned company to the smaller "independent" companies, e.g., the 20 percent or so of Iran's production sold directly by the National Iranian Oil Company. Finally, some doubt remained whether, despite the lifting of their 8.5 mb/d production ceiling, the Saudis meant to go to the maximum, or whether they intended to keep that possibility in reserve in a subtle diplomatic tactic vis-à-vis the United States.

All in all, Iran after the Qatar meeting anticipated a drop in sales of about 10 percent, so that its revenues would remain unchanged (instead of rising five percent as they would have done if all had accepted such a price rise). Indonesia on the other hand—presumably for fear of a loss of part of its Japanese market to Saudi Arabia and the U.A.E.—decided to implement the 10 percent price rise decision only to the extent of 6 percent. It thus still remains true that, notwithstanding the several factors of technical or contractual restraint, other OPEC members cannot sustain a substantial or

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prolonged price increase above the level approved by Saudi Arabia without incurring serious financial loss. The dual OPEC price structure of early 1977 thus is unlikely to endure. Perhaps the OPEC majority—saving face behind various technical obfuscations—will eventually come down to the Saudi level; perhaps the two sides by July will agree to compromise on a figure around 10 percent; or perhaps (for political reasons to be discussed later) the Saudis will come up to the level of the majority—registering the double claim of having shown, first, consideration for the economic difficulties of their Western customers and, second, respect for OPEC solidarity.

4. *Arab Leadership.* The Saudis' ability to offer or deny vast subsidies to countries such as Jordan, Egypt, Syria and the Sudan has by now made them into a potent and recognized political force in inter-Arab affairs. As a traditional monarchy, Saudi Arabia took alarm at the spread of "radical" military regimes in other Arab countries in the 1950s and their continuing drift toward the Soviet Union. In view of the long-standing practice by Arab countries of intense and sometimes violent interference in one another's politics, the Saudis rightly perceived this dual trend as a threat to the survival of their own regime. But the Saudi government itself has been even more hostile to Zionism than to communism: the late King Faisal, against all empirical evidence, professed to see no difference between the two.

Here then were several concurrent reasons, of prudence and ideology, for taking an active or even leading part in the common Arab fight against Israel. In 1972–73 the Saudis' quid pro quo for Egypt's disengagement from Moscow was Saudi support for the front-line states in the Yom Kippur War, including the use of the "oil weapon" against the United States. More recently, in the fall of 1976, the settlement of the Lebanese civil war was negotiated at an Arab summit meeting in Riyadh. It would appear that, in addition to approving Syria's takeover in Lebanon, the Riyadh meeting decided on an overall Syrian-Jordanian-Egyptian rapprochement, a new diplomatic initiative against Israel, and further Saudi oil pressure on the United States. The diplomatic initiative was unveiled in several statements by President Sadat by year's end in favor of reconvening the Geneva conference and of a Palestinian state on the West Bank and in Gaza somehow linked to Jordan. Pressure on the United States began with the hope expressed by Saudi oil minister Sheikh Ahmed Zaki al-Yamani after the December OPEC meeting that the United States would show its "appreciation" for Saudi Arabia's price restraint. And if inter-Arab negotia-

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tions of 1972–73 can serve as a clue, a further item of discussion may have been the possibility of military action against Israel in case of renewed failure of the Geneva conference.

5. *Pressure on the United States.* When Saudi Arabia was in the midst of its recent oil expansion program, Sheikh Yamani in the fall of 1972 visited Washington, where he proposed a new deal in relations between the two countries. Citing then-current estimates of American oil import needs for the 1980s and Saudi plans to expand production capacity to 20 mb/d by the end of the decade, he concluded that his country was the only one that would furnish the needed amounts. In return for doing so, he proposed a privileged status for Saudi investments in the United States and a basic modification of American policy toward Israel.[10] The deal, needless to say, was not taken up by Washington.

From a Saudi perspective, there were solid reasons for making such a proposal. The Saudis had no economic self-interest in increasing their production and accumulating yet larger reserves unless they were offered unusual opportunities for investing the surplus. And if Saudi Arabia were willing, for political reasons, to enter into a special relationship with the United States, committing its whole economy well into the future to meet America's energy needs, why should it not ask the United States to show corresponding consideration for Saudi concern about Israel? Yet, from an American viewpoint, Yamani's offer of 1972 combined with the embargo of 1973 was bound to suggest an attempt first to offer the carrot and then to wield the stick.

Any Saudi assessment of the sequel of the embargo would have to pronounce that carrot-and-stick technique a singular success. Within days after the announcement of the Arab embargo and production cutbacks, the United States, by threatening the suspension of military deliveries, forced the Israelis to accept a cease-fire in place, just when their near-encirclement of Egyptian forces west of the Canal was putting victory in their grasp. In the next two years U.S. diplomacy, hitherto firm in its support of Israel, shifted to a demonstratively "even-handed" attitude in calling for a conference at Geneva and in bringing about successive disengagements on the Sinai and Golan fronts.[11]

In sum, Saudi Arabia's dominant position in global oil trade and

[10] See Yamani's address to the Middle East Institute, Washington, September 30, 1972.

[11] All this, of course, is only one aspect of Secretary Kissinger's Middle East diplomacy: there also were the nuclear alert and confrontation with the Soviet Union (still obscure in its details) in late October 1973, and the very substantial American arms deliveries to Israel during the period of the various disengagements. But the above aspect is the one that would be most directly relevant to the Saudis' assessment of the effect of their policy.

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vast financial surpluses have given it unprecedented economic leverage over other OPEC members and in inter-Arab councils—as well as the hope (or, judging by the experience of 1973–75, even the reality) of corresponding political leverage on the United States and Israel. That the velvet glove of Saudi diplomatic pronouncements is apt to hide the iron fist of Realpolitik toward both OPEC and the West is evident from Yamani's unguarded remark to the Italian journalist Oriana Fallaci in the fall of 1975: "To ruin the other countries of the OPEC," he stated laconically, "all we have to do is to produce to our full capacity; to ruin the consumer countries, we only have to reduce our production."[12]

V

The crucial turning point in OPEC relations with the consumer countries, and in particular in relations between Saudi Arabia and the United States, will come whenever the global demand for oil imports from OPEC begins to approach the level of oil exports that OPEC countries are able and willing to put on the world market. In practice, to estimate that point of time it is sufficient to compare forecasts of OECD net imports and of OPEC exports for the years ahead. The non-OECD, non-OPEC areas of the world (including non-OPEC exporters among the developing countries such as Mexico, Oman, Malaysia and Egypt; Russia, China and other communist countries; the oil-importing developing countries; and South Africa) in 1974 imported a net total of about 2.4 mb/d, or 8 percent of OPEC's total exports. But it happens that this figure is expected to diminish to 0.6 mb/d by 1980 and to as little as 0.1 mb/d by 1985—so that this highly diverse set of world regions can readily be ignored in estimating oil surpluses or shortages on the global market for a decade ahead.[13]

OPEC exports equal aggregate production in its 13 member-states, minus the steadily growing internal consumption of those same countries and bunkers (that is, the amounts of fuel consumed by oil tankers in getting their cargoes to destination)—a combined

[12] "A Sheik Who Hates to Gamble," *The New York Times Magazine*, September 14, 1975, p. 19.

[13] According to the OECD (*World Energy Outlook*, 1977, p. 9), communist countries in 1974 showed net exports of 0.9 mb/d, which are expected to increase to 1.0 mb/d in 1980 and decline to 0.8 mb/d in 1985 (with declining Soviet exports compensated for by those from China). Net imports by the non-oil developing countries and South Africa are expected to rise slightly (from 4.0 to 4.2 mb/d); and non-OPEC exporting countries are expected to increase their exports substantially (from 0.9 to 3.0 to 3.8 mb/d). There also is a "residual" factor, of "change in stocks at sea and statistical difference," which increases global exports for 1974 by 1.4 mb/d, and reduces them by 0.5 mb/d for 1980 and 1985. As can be seen, the difference between OECD imports and OPEC exports for the latter two years is less than this residual discrepancy. The possibility that other Third World oil-exporting countries might join OPEC in the future obviously does not affect estimates of their volume of exports.

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quantity that I would estimate at 4.1 mb/d by 1985.[14] In estimating OPEC production, it is convenient to start with the 38 mb/d of reported OPEC capacity as of mid-1976 and the legal production limits which reduced this total to 33.2 mb/d. If one assumes—as seems logical—that Kuwait, Venezuela and some others will continue to limit their production for geological or economic reasons, and that Iran, Nigeria, Iraq, Indonesia and others will continue to expand both their capacity and their production—then the aggregate production for OPEC countries outside of Saudi Arabia may be estimated at 27.6 mb/d, corresponding to an export capacity of roughly 24.1 mb/d. This is a relatively fixed estimate, since the future policies and capacities of these countries seem fairly clear.[15]

The major variable is, then, Saudi production. For 1985, it might range from a low of 6.3 mb/d (the 1973 embargo level and a level that would still fully support Saudi domestic programs), through intermediate ranges of 8.5 mb/d (the 1974–76 production limit) and 11.8 mb/d (1976 capacity), to a possible maximum of 15 mb/d if capacity were substantially increased and fully utilized. The Saudi choice among these options would be crucial, causing the total OPEC export level to vary as shown in Table I.

TABLE I

ESTIMATED 1985 EXPORT LEVELS

(in million barrels a day)

	Saudi Arabia		*Total OPEC*	
Policy	*Production*	*Exports*	*Production*	*Exports*
Low	6.3	5.5	34.0	29.9
Medium-Low	8.5	7.7	36.2	32.1
Medium-High	11.8	11.0	39.6	35.5
High	15.0	14.1	42.7	38.6

SOURCE: Author's estimates.

On the other side of the balance, the import needs of the OECD countries have recently been estimated, for 1985, in that organiza-

[14] According to the U.S. Bureau of Mines (*International Petroleum Annual 1974*) domestic consumption in the 13 OPEC countries in 1974, including oil consumed both as energy and as petrochemical feedstocks, totaled 1.4 mb/d. (This agrees with OECD's estimate; the UN and OPEC's Statistical Office give figures of 1.2 mb/d and 1.1 mb/d respectively.) Considering that oil consumption in the Middle East rose by 7.2 percent per annum in 1965–75 (according to *BP Statistical Review of the World Oil Industry 1975*)—that is, in a period mostly unaffected by the large accumulation of oil revenues and the ambitious development plans of the last few years—an increase of 9 percent per annum through 1985 would seem a fairly conservative estimate. But this implies a more than two and a half fold increase, from 1.4 mb/d in 1974 to 3.6 mb/d in 1985. The rate of consumption for marine bunkers might decline in the future as larger or more efficient vessels are used; still it seems safest to calculate bunkers at their present rate of 1.7 percent of the amount of oil exported by tanker, or about 0.5 mb/d for all of OPEC. All this means that OPEC exports in 1985 may be expected to be 4.1 mb/d below the level of production.

[15] The 27.6 figure is my own estimate, composed as follows: Iran 7.2; Iraq 4.0; Nigeria 3.0; Libya 2.5; Kuwait 2.2; U.A.E. 2.2; Venezuela 2.0; Indonesia 2.0; Algeria 1.0; Qatar 0.7; Ecuador 0.5; Gabon 0.3.

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tion's publication, *World Energy Outlook*. The range reflects three possible assumptions for rates of growth—a high of 4.8 percent through 1980 and 4.6 percent thereafter (compared to an actual average growth rate of 5 percent in 1960–73), a medium rate of 4.3–4.1 percent and a low of 3.8–3.6 percent—all assuming modest improvements in conservation and development of alternative energy sources. Finally, OECD projects an "Accelerated Policy" case that assumes a concerted and far-reaching effort at conservation, development of domestic oil (mostly offshore), and expansion of energy alternatives. The differences in the four figures, and especially in the estimated U.S. import need, are striking, as shown in Table II.

TABLE II

ESTIMATED 1985 IMPORT NEEDS

(in million barrels a day)

Assumption	*United States*	*Total OECD Countries*
High Growth	11.9	38.8
Medium Growth	9.7	35.0
Low Growth	8.2	31.9
Accelerated Policy	4.3	24.3

SOURCE: OECD, *World Energy Outlook*, 1977, pp. 9, 91, 94–96.

Apart from underlining the central roles of Saudi Arabia and the United States respectively, Tables I and II show that the United States and the OECD countries generally would be in a relatively safe position *only* in the "Accelerated Policy" case. If the OECD countries enjoy only low economic growth, the situation might grow serious by 1985 at the latest. And if economic growth were moderate or high—and in the absence of "accelerated" energy policies—by the early 1980s the balancing of oil supply and demand, or conversely a drift toward a global shortage, will depend entirely on the price and production decisions taken by Saudi Arabia. In short, the tables—calculated on a conservative basis—portend in the clearest terms a major world oil crisis in the early or mid-1980s.

One final point does not emerge from the tables, and relates to the specific situation of the United States. On present trends and patterns of oil flow, the United States—assuming no renewed recession and in the absence of vigorous energy policies—will confront two danger points when needed additional imports would be available only from high levels of Saudi Arabian production: one in 1978 or 1979 before oil starts flowing fully from Alaska, and a later one, sometime in the early or mid-1980s, when growing domestic demand will have surpassed the Alaska supplies.

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VI

The likely OPEC and Saudi responses to an approaching shortage situation of this sort must be considered from an economic and a political perspective.

In purely economic terms, an approaching shortage would almost certainly cause OPEC to reconsider the Saudi-inspired pricing policy which since mid-1974 has kept increases in line with, or somewhat behind, global rates of inflation. The Saudis themselves would be faced with what might be termed King Midas' dilemma. *Either* they could increase production indefinitely in response to escalating world demand while keeping the price at about $12 in 1977 dollars, the result being an accumulation of foreign exchange far beyond their interests or desires. (A 15 mb/d export level at present prices would yield them around $80 billion, or ten times the value of their 1975 imports.) *Or* they could reintroduce a production limit, allowing the price of oil to find its level in response to the forces of demand and supply. In that case, too, their foreign exchange balances would rise beyond reason or desire—somewhat faster or slower depending on the exact price that oil would establish for itself on the world market. (For instance, their present capacity at a price of $15 would yield an income of $89 billion annually.)

The petroleum bill of the importing countries would rise substantially either way, whether because of growing volume or higher prices. For Saudi relations with other OPEC countries, the second option would have the twofold advantage that OPEC would henceforth escape the necessity, and hence the odium, of setting world oil prices, and that all OPEC members would share in the additional revenues, including those that are very eager for them. Hence it would seem that, on economic and intra-OPEC grounds, this second option might recommend itself to the Saudis. It is impossible to calculate what the price rise would be on that alternative, but since prices at a time of acute shortage are set at the margin, a jump of 25 or even 50 percent (that is, to $15 or $18 in terms of 1977 dollars) would not seem to be an unreasonable guess; some rather sharp fluctuation around such figures also would be likely.

Politically, Sheikh Yamani's statements in December 1976 have already emphasized the direct link that in Saudi minds exists between the future price of oil and progress toward an Arab-Israeli settlement. Whatever the leverage that the Saudis see themselves as having on the United States (and hence on Israel), their temptation to apply it (at little risk to themselves) would obviously be greatest

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in any future situation where their decision alone could create or avert a disastrous oil shortage for the United States and the industrial world as a whole.

It is just possible, of course, that before the global oil situation enters its critical phase in the 1980s, the Arab-Israeli conflict will have made substantial progress toward settlement—to the satisfaction of the Saudis and their moderate allies in Egypt and Syria, if not to that of the more radical elements in Iraq, Libya or among the Palestinians. Recent statements from Cairo and Jerusalem are as far apart as ever, but at least there has been a public dialogue. The newly formed Egyptian-Syrian-Jordanian alignment also means that any major concessions from the Arab side are less likely to be denounced, as in the past, by one or another front-line state. Still, it is hard to imagine how the largest stumbling blocks to agreement—Palestinian rights, Israeli security on the West Bank, and control of East Jerusalem—could be removed.

It can also be argued—and with much cogency—that regardless of the pressure that the Saudis may presume to put on the United States, Israel itself is fairly immune to renewed American pressure. Israel's vulnerability was at its greatest in the 1973 war: "I'm not sure the soldiers know it," Defense Minister Dayan told a stunned Israeli public at the time of the Suez cease-fire, "but the shells they are firing today were not in their possession a week ago." The United States in 1973 was able to stop Israel from pursuing its military advantage and to bring it to the conference table. It does not follow that, once at the conference table, we can make Israel surrender interests it deems vital. Even in the event of a renewed war U.S. leverage probably would be far less, for the weapons deliveries of the last few years would enable Israel to fight on much longer without resupply.

The prospect of a Fifth Arab-Israeli war within, say, the next five years is thus not remote. It has presumably been heightened by the recent Riyadh-Cairo-Damascus entente, and if it should break out it is likely to be accompanied by another embargo and new production cutbacks under Saudi leadership, both perhaps more stringent than last time.

The shift of U.S. Middle Eastern policy in October 1973 may not have been as directly related to the embargo as day-to-day events made it appear: the full effect of the oil cutbacks were not felt until the early winter of 1974 and turned out to be rather more severe in Western Europe and Japan than in the United States; also, the Nixon Administration may have considered a shift in its Middle Eastern policy much earlier (the phrase "even-handed" as applied to Arabs and Israelis was coined as early as 1968 by Governor

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William Scranton as Nixon's pre-inauguration emissary to the Middle East). Yet even the *appearance* of the world's most powerful nation bowing to economic pressures remains a major blot on our record and a burden on our future policy.

The implications for the American and OECD economies, and for relations between the United States and its allies, are only a shade less calamitous. The world economy did manage to absorb the oil price rises of 1973–74, but only at the cost of a major aggravation of the global recession, serious hardship in the weaker industrial economies such as Britain and Italy, and acute suffering in many of the developing countries. The effects of a long-range shortage in the 1980s, with the demand for oil imports exceeding the amounts available from OPEC, and of accompanying price rises, would presumably be that much more serious. The formation of the International Energy Agency, with its ambitious program of oil sharing in an emergency, and of concerted conservation and energy development, is one of the few positive achievements of 1974; yet its accomplishments remain questionable, particularly under the second and third headings of the agenda.

It also should be reemphasized that the United States since 1973 has become more rather than less vulnerable to any renewed Arab embargo. Our imports from Arab OPEC sources have risen from 1.4 mb/d in 1973 to 2.6 mb/d in the first half of 1976, or from 22 percent to 38 percent of the import total;[16] if this trend continues, they may represent as much as 60-70 percent of our oil imports by the mid-1980s. By 1985, moreover, our oil imports under the OECD's medium-growth scenario would be equivalent to virtually all of the exports available from non-Arab OPEC members, a situation that would almost certainly overtax the IEA's oil sharing arrangement. Quite aside from the staggering technical problems this would pose, there is doubt that our West European and Japanese partners in the IEA would continue to support an arrangement that, in effect, asks them to underwrite both our Middle Eastern policy and our profligacy in the consumption of energy.

There is little point in dwelling further on these perspectives of a global oil shortage, a staggering payments burden on the industrial world, a renewed and more severe embargo, and consequent serious strains in the Western alliances—except to emphasize the reality of these possibilities, and to remind ourselves that the means

[16] Federal Energy Administration, *Monthly Energy Review*, September 1976, p. 3. These figures include crude and product imports, including products refined abroad, mostly in the Caribbean. Additional amounts were imported from non-OPEC Arab countries, notably Oman, Tunisia and Egypt, of which the last, at least, was likely to join in any future embargo.

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to avert them is a resolute energy policy on the part of the industrial countries, and foremost the United States.

VII

U.S. policy toward Saudi Arabia since 1973 has been highly ambivalent. No countermeasures were taken to the embargo, American arms deliveries to Saudi Arabia were stepped up vastly, and at various points in 1974 high U.S. officials expressed their confidence that the Saudis, out of regard for their American friends, would bring down the price of oil. Yet by year's end Secretary Kissinger hinted at possible military action in the event of another embargo. The Nixon-Ford Administration's energy policy proved equally vacillating and ineffectual. Secretary Kissinger's reaction to the $7 a barrel oil price of early 1974 was to dwell on the prospect of "a vicious cycle of competition, autarchy, rivalry, and depression such as led to the collapse of world order in the thirties." Yet in the spring and summer of 1975 the State Department was busy trying to obtain agreement on an oil "floor price" at just that $7 level. Similarly "Project Independence" was first announced with much fanfare, but its recommendations were either shelved or bogged down in the perennial deadlock between President Ford and the Congress.

A rational U.S. response to Saudi oil policies must refrain both from massive arms deliveries and from ill-considered military threats. The oil cartel's current ascendancy, and the Saudi key position within it, rest on solid economic foundations and, "If OPEC will not be charmed out of its billions, neither is it likely to be bullied."[17] Rather, the rational response is to reduce our excessive dependence on Arab and other oil imports by reducing our extravagant energy consumption and by developing our vast but dormant national energy resources.

Our energy consumption per capita is 2.3 times that of the European Economic Community and 2.6 times that of Japan. This implies very major possibilities of energy conservation without impairment of our standard of living. The United States also is fortunate in having very extensive resources of petroleum, coal, uranium and other fuels. Our oil production (including natural gas liquids), despite its recent and continuing decline, still is higher than that of the Soviet Union or of Saudi Arabia. Our coal reserves, at present rates of extraction, are sufficient for 300 years, and much of these are low-sulfur deposits accessible to strip mining on federal lands in the West. All this implies equally dramatic

[17] Rustow and Mugno, *op. cit.*, p. 92.

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opportunities for increasing our domestic energy supplies. Japan and nearly all the European countries will remain dependent on imports for most of their energy into the foreseeable future. For the United States alone, a step-by-step reduction of our energy dependence is a feasible (and hence most necessary and desirable) goal.

Measures of energy conservation readily within our reach include the raising of domestic oil prices to world levels (whether through decontrol of prices or an additional federal tax), the raising of automobile efficiency standards to a level of 27.5 miles per gallon, and a host of other specific steps (better insulation of homes and factories, the forming of commuters' transport pools, regulations increasing airplane load factors, increased efficiency of home appliances and mandatory labeling of their energy use, etc.). Note that among these, a raising of automobile efficiency alone would save around 1.2 mb/d of petroleum, or as much as the increase in our imports from Arab sources since 1973.

Measures to increase our domestic energy supplies would include accelerated leasing and development of offshore oil deposits, expansion of nuclear generating capacity, and, above all, development of our abundant coal reserves, perhaps in connection with large-scale gasification. All such measures would have to be combined with stringent environmental safeguards, which are sure to add to the cost but should not be taken as an excuse for delay. Considering technological lead times, these development measures would not begin to make their impact felt until the early or mid-1980s, but that impact could be on a very sizable scale: for example, accelerated domestic oil development alone might by 1985 add 2.3 mb/d to our domestic oil supplies, or nearly as much as our current imports from all Arab sources. For the even longer range, one of the most promising measures would be a wholesale revitalization of our railroad system both for freight and for passenger traffic.

This is not the context in which to enter into the details of the debate on the comparative costs and benefits and the lead times and relative priorities among the measures just listed. Happily there is no inherent conflict among any of them, and the obvious solution is to move ahead speedily on all feasible fronts. It will be the task of the new Federal Department of Energy to bring our long-lingering debate to a firm set of conclusions and to proceed from debate to concerted action and vigorous implementation.

The fact that the new Administration has made energy policy one of its chief priorities is in itself a most hopeful sign, and so were the references in President Carter's election campaign to the need for a less compliant attitude to Arab pressures and to the need to

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develop our massive coal reserves. With congressional majorities of the President's party, there also is hope of backing on Capitol Hill for any firm initiatives from the Executive. Only with such a determined effort in the energy field and a systematic reduction of our dependence on oil imports will the United States be able to reassert its leadership within the Western alliance system and the freedom of action of its foreign policy in the Middle East and elsewhere. But even the first solid steps of progress in that direction can be expected to increase dramatically the willingness of Western Europe and Japan to cooperate with us in international energy policy and other matters; and they will equally dramatically enhance our respect in the eyes of Arab leaders.

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Daniel Yergin

POLITICS AND SOVIET-AMERICAN TRADE: THE THREE QUESTIONS

With great fanfare, representatives of the United States and the Soviet Union signed a trade agreement in Moscow in October 1972. By this point, trade between the two countries, starting from a very low level ("trivial," Aleksei Kosygin called it in 1971), was already beginning a rapid rise. It continued to grow over the next few years. The total trade turnover between the two countries was almost four times greater in 1972–74 than in 1969–71. Much higher levels yet and still more intense cooperation seemed shortly in store. Then, in January 1975, the Soviet Union announced that it would not agree to put the trade agreement into formal effect. It said that the conditions attached by the U. S. Congress to the development of trade—specifically, the Jackson-Vanik Amendment on emigration and the Stevenson Amendment on export credits—violated the terms of the 1972 agreement, and so effectively voided it.

Since the Soviet renunciation, trade has stagnated, though superficially such does not appear to be the case. The total volume of U. S. exports to the Soviet Union has generally continued to rise—a peak of $1,195 million in 1973 was followed by a drop to $607 million in 1974, and then by further increases, to $1,833 million in 1975 and $2,300 million in 1976.[1]

But these figures are misleading in a number of ways. First, they are distorted by very large agricultural purchases—over 60 percent in both 1975 and 1976—the result of an uncharacteristic *second* bad harvest within a five-year plan. Putting aside the wildly erratic agricultural element, it becomes clear that Soviet-American trade is actually in stagnation. The Commerce Department predicts a decline in 1977. Moreover, many of the transactions officially attri-

[1] Memorandum, Bureau of East-West Trade, U. S. Department of Commerce, December 17, 1976. Soviet exports to the United States totaled $220 million in 1973, $350 million in 1974, $254 million in 1975, and $220 million in 1976.

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buted to 1975 or 1976 (or to be included in 1977) are actually the overhang of deals negotiated three or four years ago, and, although no reliable figures are available, the number of current transactions is widely thought to be in sharp decline. The Russians have diverted a good deal of their purchases to Western Europe and Japan (though not to the extent they claim, and some of that business has gone to the subsidiaries of American corporations). General Secretary Brezhnev told visiting American businessmen late last year that between the end of 1974 and the end of 1976, up to two billion dollars in contracts would have been diverted. Although this should be regarded more as a selling point to his audience than as a firm estimate, the basic fact of stagnation is of great significance. Not only does it harm the interests of the Soviet Union and the prospects of individual American firms, it also runs counter to the U.S. national interest.

The opening of trade between the two countries was much celebrated. It became a media event. A disproportionate attention was devoted to it, if one looked only at the scale involved. After all, U.S. exports to the Soviet Union in 1975 were less than those to Venezuela or Belgium, neither of which provokes much front page news as a trading partner of the United States. Of course, it was not the amounts involved, but the novelty of the peaceful interaction between the two superpowers that explains the fascination. There was a widespread impression, fostered by spokesmen on both sides, that this trade development would bring substantial changes in the overall relationship between the two nations. Some of these pronouncements may have been believed by the speakers; some were the inevitable exaggeration of politicians; and some were political sales talks, intended to overcome obstacles within the two societies.

Yet the utility of trade from the American point of view is very considerable. Reaction to exaggeration should not cause us to lose sight of the benefits. We must, of course, distinguish between the interests of the firm and the nation. We cannot assume that what is good for the executive officers and stockholders of Pepsi Cola is also good for the United States. (On the other hand, it also does not mean that those interests are necessarily in conflict.) For some firms, doing business with the Russians can be a very profitable exercise. Perhaps also, their chief executives gain important psychic rewards from flying into Moscow and playing the role of head of state, or at least of visiting statesmen, which compensates them for the day-to-day tasks of administering their far-flung enterprises. But it must also be said that other firms have found

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that doing business with the Russians affords an opportunity to lose a good deal of money in pursuing business that does not materialize, wasting a lot of time learning that they will not get the business, and finding their compensation measured only in frustration.

The point of view for the United States is different. Expanded trade, in itself, will not—as its critics so often remind us—create peace and a harmonious international order. It is no guarantee against conflict, nor is it likely to generate any dramatic changes in the Soviet political system. But what the critics do not admit is that, at a step below that level, it can do a great deal. First of all, it creates common interests between the two superpowers; provides incentives for stability; and lays the groundwork for a cautious expansion of interaction. It draws the Soviet Union into the community of advanced industrial nations. It provides a useful flow of business on the national accounts. It is the major non-arms control aspect of relations between the two superpowers, and helps to promote an ongoing dialogue between the two nations. It helps to reduce suspicions, which is useful both for arms control and for containing international crises, the stakes in both of which are so large, not only for the two countries but for the entire world, that it is important to take what steps one can.

Although hardly fulfilling the more expansive promises, important changes have taken place. Prior to this decade, relations were characterized primarily by their absence. Mutual deterrence, the military balance, and the unstated rule to cooperate in containing crises—this is what existed. There was little communication between the two superpowers, and very little comprehension of how the other's system worked. The network of relations is much denser today than it was seven years ago. A whole host of exchanges—involving such different groups as doctors, water pollution engineers, scientists and other academics—have become much more extensive, frequent, and productive. The civil bureaucracies of the two governments have some involvement with each other. Arms-control negotiations have proved, to some degree at least, to be a mutually educative process for the military bureaucracies of both nations. The man-in-space programs of the two countries, born of cold war rivalry, turned not merely into a joint mission in 1975, but into a joint production for a worldwide television audience. But the most intense of all relations is that which now exists between American businessmen and their counterparts in the Soviet Ministry of Foreign Trade, the foreign trade organizations and banks, and, increasingly, in ministries and enterprises as well.

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What is even more striking is the interpenetration of the two political processes. The U.S. Congress and American public opinion have had an impact on the Soviet treatment of political dissidents and minorities. In turn, there was the spectacle in 1974 of Soviet officials lobbying on Capitol Hill, suggestive almost more of a platoon of out-of-town shoe manufacturers worried about tariff protection than of emissaries from America's most deadly rival.

The entire process has been unsteady, characterized by many disputes and problems, and many, many doubts. Still, much of what has happened would have seemed altogether beyond the realm of political possibility prior to 1970.

Yet we must ask ourselves whether we have already reached the limits of the Soviet-American relationship. The stagnation in trade is not only a symbol, but also one of the major operative factors. As already pointed out, trade is the major non-military aspect of the relationship, and the most important cooperative venture that is available. As matters look now, we face the prospect not merely of stagnation but of decay in the trade, and that is not in the long-term interests of the United States.

One of the major tasks before the new Administration is to restore that trading link. But it is not simply up to the Administration. There are three basic questions which, in their outcomes, will determine the future development of economic relations between the two countries.

How far are the Russians willing to go from independence to interdependence?

Will Americans generally perceive the development of trade to be in the national interest?

And how will the Russians be able to pay for what they want to buy?

These three questions are, in themselves, tightly tied together.

II

For the Soviet Union, trade with the industrialized Western world has been consistently, if erratically, important—first as a key element in industrialization and then as a way to upgrade and modernize its industrial structure. It has been oriented to the Western world as, in effect, a developing country. It has just as consistently sought to deny this relationship. "We do not in the least intend to strengthen the existing international division of labor," said a report to the Party Congress in 1927. "We do not intend to be an agrarian appendage of the capitalist economic system." Today, Soviet representatives go out of their way to assert

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that one-fourth of all the scientists and engineers in the world work in the Soviet Union, that theirs is the second largest economy in the world. But most disinterested observers would still conclude that the Soviet Union is oriented toward the Western world not as an economic and technological compatriot, but as an example of extremely uneven development, with some obviously very advanced sectors and some equally obvious backward sectors. The Soviet Union remains a buyer of technology, an importer of innovation, and a seller of raw materials, at least insofar as Western Europe, Japan and North America are concerned.[2]

Of course, from the late 1940s through the end of the 1960s, this relationship was hampered by the strategic embargo, the driving force behind which was the United States. For their part, the Soviets sought to promote trade with the West, but it was not of the highest priority, as the U.S.S.R. was able to generate respectable growth rates from high investment and a large labor pool.

Around the 1970s, the Soviet interest in trade with the West became much more intense, and Moscow did begin an energetic effort to expand economic relations with the West, particularly with the United States. There were two obvious and related political reasons. With tensions at a high point with China, it was prudent to seek some greater stabilization in the West, and trade was perceived as an adjunct toward that end. More generally, even without its rivalry with China, the Soviet leadership saw value in trying to reduce tensions with the leader of its rival bloc.

But the economic needs were even more pressing. The Russian economy faced an acute problem—the only way it could continue to grow was through increasing productivity. The Soviets themselves have made clear that this is now at the base of their economic planning as reflected in their discussion of how the Soviet economy is moving from an "extensive" mode (growth based upon increases in the labor force and the capital stock) to an "intensive" mode (growth resulting from improved technology leading to higher productivity). The Tenth Five-Year Plan, discussed and approved in 1976, was presented as "the plan of efficiency and quality." This theme is constantly reiterated. "Efficiency and quality," Brezhnev told the Central Committee last autumn. "These two words have now become the motto of our entire economic activity. . . . The center of gravity of the draft plans is shifting increasingly toward

[2] Overall, the trade in technological goods between East and West was seven billion dollars in 1974. The ratio was six to one in the West's favor. *International Economic Report of the President,* March 1976, p. 56.

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qualitative indicators."[3] The goal of this emphasis is to spur growth directly in the form of production and to spur it indirectly by providing additional incentives to the workforce.

In the mid-1960s, the U.S.S.R. was going to modernize its economy in two ways—through economic reforms, particularly decentralization; and through increased trade with the industrialized West, with focus on technology transfer. Both policies were enunciated in 1965. But by the end of the decade, the domestic economic reforms were in the process of being largely abandoned. They were seen to pose too great a threat to established economic and political interests. Indeed, if there is a trend today, it is back toward centralization and an effort to rely on more sophisticated means of control. What were to be economic methods or "levers" of control are being replaced by administrative "levers."[4]

The discarding of reforms meant an increased emphasis on the acquisition of foreign technology. The 1971–75 plan projected a growth in foreign trade of 35 percent; the actual growth was 186 percent. Trade with developed capitalist countries in 1975 made up 31 percent of total Soviet foreign trade turnover.

Could not technological change have been generated internally? Only with difficulty, experience indicates. For the Soviet Union had clearly failed to keep pace with technological change, outside of those narrow spheres where resources are heavily and wastefully concentrated. The very character of the organization of the Soviet economy creates powerful, almost insurmountable barriers to innovation.[5] In addition, isolation from world markets acts as a drag on productive change. Within the COMECON bloc, the trend appears to be that the Soviet Union has pulled down the level of production of what were more advanced countries, such as Czechoslovakia.

Thus, the Soviets were moved to seek expanded trade by their realistic desire to participate in the "scientific and technological revolution," seeing in it an alternative to domestic economic re-

[3] Speech to CPSU Central Committee Plenum, October 25, 1976. See Abram Bergson, "Soviet Economic Perspectives: Toward a New Growth Model," *Problems of Communism*, March–April 1973, pp. 1–9.

[4] Gertrude Schroeder, "Recent Developments in Soviet Planning and Incentives," *Soviet Economic Prospects for the Seventies*, Joint Economic Committee, Washington: GPO, 1973, p. 36. Also see Paul Gregory and Robert Stuart, *Soviet Economic Structure and Performance*, New York: Harper & Row, 1974, chapter 10. Eugen Loebl, a veteran of centralized planning in the Czechoslovak context, has suggested that computers could cause more problems in such economies than they solve. "The recent decision to introduce computerization as the basis of planning will result in more target figures and even less space for creative possibilities." *Humanomics*, New York: Random House, 1976, p. 90.

[5] See Joseph Berliner, *The Innovation Decision in Soviet Industry*, Cambridge: MIT Press, 1976.

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form. That is, trade offers the hope of growth not through change in organization, but rather through new modes of production.

Moreover, the Soviets have come to recognize that technology transfer, if it is to achieve desired ends, is not a simple, one-stop form of shopping. One can still, as in the 1930s, merely buy the requisite machinery and set it up and then close the door on the outside world. But there are significant losses in such an operation. The pace of technological change is much quicker than in the 1930s and the benefits of acquisition are much enhanced if contact with the outside world is on an ongoing basis. If further proof were needed, the Russians could look, as they apparently did, at Japan, and observe how effective technology transfer can be as a source of growth. In addition, as a superpower, the Soviet Union now desires to fly its flag in the entire world's economy, not merely that of its own bloc.

At the same time, there were and still are powerful obstacles to greater involvement in the world economy. The basic hindrance is the organization of the entire society, which, both for its political and its economic functioning, has depended upon a high degree of isolation from that part of the world over which the U.S.S.R. has no control. Expanded trade in itself constitutes an economic reform, introducing not only new modes of production but of thought, thus challenging ingrained patterns, putting unfamiliar stresses on many points in the economy. The Soviets had always known this, and it was surely a reason why over the years they had not more eagerly sought a major expansion of trade. But the needs were finally perceived as pressing enough that the leadership became willing to accept the *economic* costs of involvement; to seek, in the words of Foreign Trade Minister Patolichev, "a deeper international division of labor with the industrial capitalist countries."[6] Trade with the advanced capitalist countries has been the most rapidly growing sector. The new plan envisions a growth of 30 to 35 percent in foreign trade, and expects to accommodate the economy to this change.[7] Clearly, while the results of expanded trade have been mixed, the Soviets have come to regard the economic costs as acceptable, especially as measured against the need and the gains, both actual and hoped for.

But the Soviets were unprepared for the political costs of expanded trade. They thought that the Western world would be so eager to trade with them that they would be able to avoid the political costs of interdependence. This conclusion resulted from

[6]*Foreign Trade*, Moscow, No. 5, 1975, p.3.
[7]*Draft: Main Directives in the Economic Development of the U.S.S.R.*, Section IV.

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several miscalculations. The Russians assumed that they would be able so to whet the appetites of capitalists with visions of a bottomless Soviet market that the capitalists would exert themselves to the utmost to get in. Second, they had a rather simplistic view (even as late as the early 1970s) of how Western, and in particular American, society works. They overestimated the political might of the business sector and the willingness of market societies to make profit-seeking the highest criterion in foreign policy. Third, around 1970, it had become clear that a change was occurring in the world economy, that America's political allies, Western Europe and Japan, were becoming its economic rivals. As Marxists, the Russians again exaggerated, in this case assigning greater significance to the "capitalist contradictions" than has been the actual case.

What the Soviets have discovered in the last seven years is that it is more complicated to be involved with the West than they thought, that it is extremely difficult to become moderately interdependent at one level and not at all at another, and that decision-making in the Western world is a far more complex process than they had imagined when they were merely looking on.

The political costs to the Soviets, while not massive or even large by any reckoning, are still real. Basically, these costs involve checks upon Russia's freedom of action—"restraint" in the international sphere and some mild mellowing of the domestic political order. Major checks certainly existed prior to the trading relationship. The U.S.S.R. also has much to lose in a large conflict, and so therefore shares an interest in limiting instability. In addition, the Western alliance system has been a check in the form of military deterrence. In the domestic sphere as well, there have been obstacles. It is prudent, in terms of their own survival, for the leaders to avoid the absolutism of the Stalin era, and there is also some question as to how well an increasingly technological society can function in a highly repressive environment.

Thus, expanded economic relations may not in themselves introduce any drastic new restraints, but they still do bring about a situation where external forces can have a greater degree of direct and indirect influence on what has been to date a highly insulated political system. There does not have to be a formal or conscious system of "linkage" for such forces to be felt. The pluralistic political systems of the West represent a blending of many different political tendencies. If it comes to be believed in the West that trading with Russia is merely providing it with some extra tools to expand its sphere or to drive for "hegemony," then powerful

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pressures will quickly make themselves felt in Western governments and public opinions to interrupt that trade, and thus to deny to the Soviet Union its now ongoing benefits.

This also applies to Soviet domestic policy. Scientific exchanges between the United States and the Soviet Union are a case in point. The Soviets clearly regard these exchanges as a very high-priority enterprise. Yet, in 1973, Soviet security officials warned scientific workers in various research institutes that, with an opening to the West, ideological vigilance would have to be increased. The point was that Party "reliability" and commitment would be very important criteria for participants. In some cases, those who perhaps were less interested in politics and more interested in science apparently found that they were worse off. On the other side, Washington cannot compel American scientists to participate. If U.S. scientists conclude that they are restricted to contacts with scientific bureaucrats, if they feel that their more capable counterparts in the Soviet Union are suffering at the hands of those they meet in conferences, if they feel that the utility of the exchanges, beyond the novelty effect, are not of much value or are too one-sided, then they will lose interest and cease participating. The purpose of the exchanges from the Soviet point of view will then have been defeated. (Moscow's recent decision-making in this area appears to have favored science over the concerns of the "security-minded.")

In fact, the most dramatic example of the trade-off is the Helsinki document, now coming up for its two-year review. The agreement has been much criticized in the United States, less so in Western Europe. One might be able to make the case that in sum it amounts to little, but the argument that it is one-sided in favor of the Soviet Union is not credible. It is, indeed, a trade-off—involving a recognition of the status quo in Europe and increased economic and scientific cooperation, in exchange for "confidence-building measures"—the most important of which is not the exchange of observers at military maneuvers, but a freer flow of communication. There is no way to read the document save as a package. Without being too rigid in interpretation, there can be no doubt that without some observance of Basket III— the human rights basket— Baskets I and II lose their force as well. (Of course, without observance of Baskets I and II, Basket III also loses its force.) Helsinki posed the problem for the Soviets: significant increases in economic involvement means a small increase in political interdependence.

The Soviet response has been mixed . There are many disturb-

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ing reports of increased repression in the Soviet Union, including the testimony of the recently released Vladimir Bukovsky, to the effect that treatment of political prisoners actually worsened after Helsinki.[8] The Soviets have taken to expelling the most troublesome dissenters, as if trying to purge their political system of an infection. On the other hand, this method is certainly less harsh than that which would have been used in the Stalinist era (although it is doubtful that Soviet leaders would want that era to be their standard of comparison). The Soviets are somewhat more cautious in their handling of dissidents, at least those known in the outside world, and the small trickle of permitted emigration is, despite the sometimes crude harassments that attend it, unprecedented in the last 50 years of Soviet history.[9] That very caution may also indicate, curiously, a greater self confidence than that of an earlier generation of Soviet leaders.

The nub of the matter seems to be that the Soviet leadership did not expect the kind of political costs encountered, and is still uncertain as to how to handle them, how to manage a somewhat less insulated political system. Some of the counter-steps could reflect the contradictory responses of different bureaucracies and different levels in the same bureaucracies. It was a more significant admission of perplexity than many may have thought when Brezhnev told the 25th Party Congress last year: "In foreign economic relations are intertwined politics and economics, diplomacy and commerce, industrial production and trade." That is the dilemma for Russia. The economic benefits of a small moderation can be very great, but it is not at all clear that the current leaders are willing to bear that cost. Indeed, that may turn out to be one of the most important questions that they bequeath, unanswered, to their successors. One answer, and not the other, is clearly one of the three legs upon which an expanded trading relation must sit.

III

The second question concerns the judgment on détente and on the role that trade plays in détente. This is a question to be answered in the American political process, and it is central to the framing of policy by the new Administration.

[8] *The New York Times,* December 20, 1976. See also *An Ordinary Trial in the Soviet Union,* the transcript of the trial of Dr. Mikhail Shtern in Vinnitsa in the Ukraine. Wolfgang Leonhard argues that increased internal repression in the U.S.S.R. is "required" by détente. "The Domestic Politics of the New Soviet Foreign Policy," *Foreign Affairs,* October 1973.

[9] Jewish emigration did, after all, rise from a mere 400 in 1968 to over 33,000 in 1973. In 1976, it was down to 13,000.

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In essence, it involves a competition between two images of the Soviet Union. These are polar views, archetypes, and the distinction may strike some as exaggerated. But they do reflect two different basic sets of premises or axioms about Russia, and they give rise to very different policy prescriptions, different ways to seek to structure relations with the Soviet Union.

In Image I, the Soviet Union is seen as a world revolutionary state, single-mindedly geared to expansion. According to this view, there is a strong policy coherence in Moscow, and little confusion about objectives. The goals are well-defined—"preponderance" and "hegemony." This view tends to emphasize Soviet strengths and capabilities, rather than problems and weaknesses. The Soviet Union is seen as a fundamental and permanent adversary of the United States. For those who hold this view, détente is not merely a fraud, but a danger, a relaxation less of tension than of the American guard, so enabling the Soviet Union to take advantage of American goodwill. Image I has been the fundament of the American policy and attitudes through much of the cold war.

Image II has underlain détente, or at least what might be called tentative or unsentimental détente. This views the Soviet Union less as a world revolutionary state than as a conventional great power. While obviously possessing vast military strengths and not lacking in imperialist drives, it is still a cautious power, concerned with protecting what it has, and with much to gain from stability. Its ideology is more a stale rhetoric than a guide to action. There is less emphasis in Image II on the policy coherence of the Kremlin. Rather, the leadership is seen as confronting the need to reconcile many competing interests and demands, and facing great internal problems. The crucial point is that, according to this image, the Soviet Union is not genetically programmed to move in one course. Rather, its leaders can make choices that move in different directions. While nothing is certain in dealing with such a power, the United States can provide incentives in both the military and economic spheres that encourage the Russians to make choices that, while in their own interests, are also in ours.[10]

Those who subscribe to these differing images also have very different attitudes toward trade. In Image I, trade is one of the major items of transport on the "one-way street." Those who hold to Image I are fond of quoting the remark attributed to Lenin that the capitalists will sell the Soviet Union the rope by which they will be hanged. In other words, economic relations are a form of

[10]The differences in these two images are developed in Daniel Yergin, *Shattered Peace,* Boston: Houghton Mifflin, 1977, chapters 1 and 2.

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appeasement, an effort to appease the unappeasable. Trade enables the Soviet Union to exploit the West, get bailed out of its own troubles at low cost, divert resources to the military sector and, in sum, subsidizes totalitarianism. In Image II, trade is one of the major means of encouraging a détente, establishing mutually advantageous relations, and strengthening the Soviet stake in international stability. So long as sensitive technology of military value is kept under export control, proponents on neither side can make a strong case as to whether trade with the West helps or hinders the Soviet military effort—or, perhaps, makes no difference.

In the first half of the 1970s, Image II was dominant. Such axioms underlay the movement toward détente. Détente, it will be remembered, was much criticized as a media event. Many suggested that it was something easy, that it was in process in any event, that it had been much oversold, considering how inevitable it was. "The first verse of the first chapter of Genesis was not dated January 20, 1969," Dean Rusk complained a few years ago.

But, from the standpoint of 1977, we should recognize that détente was not so easy to achieve, that it required, on the American side, policymakers who were willing to operate on different premises. Those who pursued it, in particular Henry Kissinger, deserve more credit, at least for effort, than has become conventional in the foreign policy community. The real proof of the difficulty is how strong the reaction has been against it, as represented both in the vigorous campaign by such groups as the Committee on the Present Danger, and in the strong, emotional, and apparently well-organized publicity campaign over the last year about what is now almost ritualistically known as the "Soviet military buildup."

With the passing of Mr. Kissinger's dominating personality, it is clear that there has developed a struggle between those two images—with their very different policy prescriptions both for arms control and trade—between those who say that relations can be structured only as between two adversaries and those who say that relations can be shaped in more flexible ways.

Image I superficially appears to afford more security, but does not in the long run. For it is too complacent about the dangers of the spiraling arms race. It ignores problems on the common agenda, exaggerates Soviet capabilities, distorts Soviet intentions, and overlooks the problems Soviet leaders face. It takes the Soviet monolith too seriously, and assumes that the Soviet Union is unafflicted by change. But that society, with the passing of the Stalin-bred leadership, is entering a new phase. One cannot confidently

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predict what kind of changes are in store, but it would be fair to indicate one important determinant. It is probably correct to say that in a schematic sense the first Soviet generation was governed by ideology; the second, by terror; and the third, by cynicism, perhaps militant cynicism, but cynicism all the same. What consequences flow from this change are admittedly not all that clear. But we do have an opportunity at a critical time to go further, or at least to attempt to go further, in our relations with the Soviet Union. The current Soviet leaders have shown surprising flexibility, especially given their own experience and their age. We should not close off this avenue without investigating it further. Expanding economic relations are a prime method for such investigation.

While the lines of debate have been fairly consistent as between these two points of view for the last three decades, the relative balance has not. Until the 1970s, the weight was mostly with the more emotional Image I. For a few years, it shifted to Image II, a more rational image, and more sensible to use in shaping U.S. policy. In 1977, it is rather even.

The outcome of the debate, however, hinges not only on the discussion within American politics. There are many in between; that is, those who, depending on events, tilt in one direction or another. They are very much affected by what the Russians themselves do. If there does appear to be an easing of tension in the international sphere, that will reinforce the argument for détente. If the Soviets embark on new adventures and seem bent on amassing vast new military capabilities, then that will strengthen the case on the other side. Some in the United States have already found such proof in events in the Middle East, despite the fact that the relationship between client and sponsor in 1973 is not altogether clear. Others find their proof in what is expressed by that code phrase, the "Soviet military buildup," although its reality has yet to be clearly established in the ongoing debate. The less alarmed cannot but wonder how much the projection of this threat has to do with the American budgetary process.

If there is a single factor that should help the anti-détente party in the United States and convince many who do not belong to that party that it is right, then it is the introduction and continuing use by the Soviet Union of Cuban troops as its proxy in Angola. Some have come to believe that the Soviet Union wants to stir up a race war in southern Africa. This adventure has had a profound effect on the informed public in the United States, reviving the darkest interpretations of Soviet intentions. No doubt, those in Moscow who came up with the "brilliant improvisation" of using Cuban

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troops have been praised, rewarded, even promoted. But the Kremlin leadership should face the fact that if there is a loss of interest in détente on the American side, and a new spiral to the arms race, then those in Moscow who invented the Angola adventure will bear a good deal of the responsibility.

The debate in the United States will also be affected by the perception of trends within the internal Soviet political system. Few Americans will want to be trading partners in repression.

There is no general consensus at this time in the United States about how to proceed with relations with the Soviet Union. If Image I emerges triumphant, then there will be little interest on the American side in promoting trade, and indeed many roadblocks. If, on the other hand, the party of what might be called realistic détente carries the day, then trade is likely to expand to higher and more stable levels. The answer to this question will be derived from a debate within American politics, but a debate very much affected by the actions of the Soviet Union in other spheres.

IV

The problem of how to finance Russia's trade with the West has been a continuing constraint on the growth of business, for the Soviet Union always faces the question of how it will accumulate the hard currency required for its transactions. The ruble is not convertible, and, for the most part, the Soviet Union has had to rely on raw materials to earn marks, dollars, yen and pounds. The finance question has been so important that it has also been a recurrent political issue of some substance. Diplomatic relations between the United States and the Soviet Union were opened in 1933 with high, if not altogether clear, expectations of what would eventuate. Economic relations were to be a key element. Indeed, the Export-Import Bank was established to finance that trade (although it would be 39 years before it extended its first credit for trade with Russia).[11] One of the major reasons trading relations did not expand after recognition was that the two parties could not work out the matter of finance—that is, whether the United States would or would not make credits or a loan available. Again, toward the end of World War II, there was much talk on both sides of a large postwar increase in American exports to the Soviet Union, but again such growth was frustrated by the inability, in the context of growing political difficulties, to move on the question of loans or credit.

[11]See Frederick C. Adams, *Economic Diplomacy: The Export-Import Bank and American Foreign Policy 1934–1939*, Columbia: University of Missouri Press, 1976, chapter 4.

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Recently, we have witnessed yet another example of the fundamental importance of financing. The tenuous position of the Jewish minority in the Soviet Union, made even more difficult by the harsh Russian propaganda that followed the 1967 Arab-Israeli war, set off a Jewish rights movement in the U.S.S.R. Its energies became concentrated on securing the right to emigrate to a Jewish "homeland." Despite Stalin's invention of a Jewish "autonomous region" in eastern Siberia, the Jews are virtually the only Soviet minority without a homeland within the U.S.S.R., and thus Israel qualifies as that homeland. This concern came to be reflected in the Jackson-Vanik Amendment to the Trade Reform Act of 1974, which tied the granting of most-favored-nation status to relaxation on the emigration question. When all was said and done, the Jackson-Vanik Amendment was seeking only a small concession, affecting not internal affairs, but rather the point of tangency of internal and external affairs. It was merely asking the Soviets to live up to what they had, in any event, said they would live up to in the form of their general assent over the years to the Universal Declaration on Human Rights. Soviet responsiveness on this issue would also be taken as an important confidence-building measure.

Initially, many had thought the Soviets would never accede. However, by October 1974, a compromise had been worked out among the Soviets, the Ford Administration, and the Congress. An emigration rate of 45,000 to 60,000 a year seemed a reasonable expectation. At the time, Soviet Foreign Minister Gromyko filed a letter denying that there was any formal agreement, but the letter appeared motivated primarily by pride and the felt need to have it on record. It certainly would have been helpful had the final compromise not been so thoroughly publicized. In any event, while not happy with the outcome, the Russians saw the overall arrangement in their interest, and they seemed willing to live with it.

Unfortunately, the Stevenson Amendment to the Export-Import Bank authorization bill suddenly appeared, overloaded the process, and inadvertently disrupted the compromise. The Congress wanted to assert its oversight functions on the Ex-Im Bank, the activities of which had grown rapidly under the Nixon Administration. In 1969, it had supported exports worth $2.9 billion; by 1973, exports worth $12.8 billion.[12] There was also widespread concern

[12]Institutionally similar to facilities in other advanced industrial countries, the Ex-Im Bank at that point usually supported 45 percent of the total cost of capital goods exports, with another 45 percent coming from private institutions, and 10 percent paid in cash. The resulting interest rate represented a blend of the going commercial rate and the somewhat lower Ex-Im rate. Ex-Im did, and still does, usually pick up the longer term part of the financing for capital goods exports, while the commercial banks take the shorter end.

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about a "credit war" among the export promotion agencies of the advanced industrial countries. And certainly there was some suspicion as a result both of the 1972 grain deal and Watergate.

But the Stevenson Amendment came to center on the Soviet Union. Since October 1972, when President Nixon had issued the executive order approving Ex-Im participation in trade with the Soviet Union, it had provided $469 million in credits. The Stevenson Amendment, as finally worked out at the end of 1974, set a $300-million limit on further credits over the next four years, allowed up to $40 million for equipment and services to be used in energy exploration in the Soviet Union, but prohibited any Ex-Im financing of American energy developments in the Soviet Union. Unlike Jackson-Vanik, there was little in the way of extended debate over the implications of the Stevenson Amendment, the Administration failed to pay attention to the shape it was taking, and Congressmen voted on the basis of very little knowledge and information. It seemed, superficially, a "good thing."

Those who pushed the Stevenson Amendment promoted it as a better alternative to the Jackson Amendment.[13] It is very hard to see how this was the case. Jackson-Vanik was a clear trade-off; it said: "You give this, we give that, and then we get down to business." The Stevenson Amendment attempted to strike a negative bargain: "You do this, you don't get that, and then there will be some business, but not very much."

It appears now that the Stevenson Amendment was the decisive reason that the Soviets refused to put the trade agreement into effect. From their point of view, such an action was rational. For the most part, the need for most-favored-nation status was (and is) primarily theoretical. Credits, on the other hand, were of immediate importance and utility. If trade were to expand substantially, credits were required. But the Stevenson Amendment said, in effect, that after having made an important concession, the Soviets would be eligible for less in credits over the subsequent four years than had already been received over the previous two, before they had made any concession! It looked very much as though the Congress were putting a ceiling over trade rather than a floor under it.

The proponents of the Stevenson Amendment point out that the legislation did allow the bank to come back to Congress to request further authorization, but, given the difficulties already encountered, there was reason to doubt the ease with which the ceiling

[13]See Stanley Marcuss, "New Light on Eximbank," in Paul Marer, ed., *U. S. Financing of East-West Trade*, Bloomington: International Development Research Center, 1975, pp. 260–61.

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would be raised. In addition, the Stevenson Amendment was singling out the Soviets for specific discrimination in a very blatant way. Thus, it seems that the Soviets saw the Stevenson Amendment as a major impediment to any development of trade. At the same time, they could observe that the Western world was heading into a severe downturn, and they assumed that "trade contradictions among the industrially developed capitalist states" would grow "deeper."[14] They expected that, as in previous downturns, the capitalists would soon be knocking loudly at their door with attractive new packages. They also overestimated the strength of their own position, focusing on the (then) rising prices of raw materials, and not realizing that they were not insulated, that demand would drop in the West, and that they too would suffer the ill effects of worldwide recession and inflation.[15]

Now more than two years have passed. Soviet-American trade has stagnated. The Russians assuaged their pride by almost immediately securing ten billion dollars in credit lines with other Western governments. They also made clear to American firms and banks that they wanted to use what trading channels were available, and encouraged the Americans to carry on commerce with them through European subsidiaries.

V

It is clear today that the single most important step that the Congress and the new Administration can take to stimulate economic relations with the Soviet Union is to remove the Ex-Im restrictions. The Stevenson Amendment really reflected a three-pronged attack. In part, the Soviet Union bore the brunt of a more general assault against the entire notion of the United States having such a facility as the Ex-Im Bank. There are objections to such an institution, but they are weaker than the arguments in its favor. It is said that export credits in general, no matter who the trading partner, create an economic distortion, encouraging a less than optimal distribution of capital. This is an interesting theoretical position, but one rather divorced from reality, given both the nature of international commerce and the relatively small share of financing that goes into such export promotion. This position assumes that both capital markets and information are perfect,

[14] Y. Kapelinsky, "The Economy of the Capitalist World in 1974," *Foreign Trade,* Number 5, 1975, p. 44.

[15] In particular, when the Russians negotiated the 1972 trade agreement, they did so without knowing, of course, of the imminent and dramatic rise in the price of gold and oil, both of which are major hard currency earners. By 1974, they knew. See Franklyn Holzman, *International Trade Under Communism,* New York: Basic Books, 1976, pp. 168–69.

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neither of which is the case. It ignores the fact that domestic purchasers of capital goods have to resort to longer term forms of financing (insurance companies, investment bankers, pension funds) not available to foreign purchasers. Although such export credits are called a subsidy, this is not quite the case. The money is raised on domestic markets, and Ex-Im makes a profit on its spread. Moreover, it is very difficult to prove that the Bank's activities crowd out other bidders for the capital.

The second prong was directed specifically against making such facilities available to the Soviet Union. But no purpose is achieved by singling out the Soviet Union for specific and explicit discrimination to which no other of America's trading partners are subjected. Indeed, an economic purist might ask whether such discrimination in itself constitutes an economic distortion.

There was a third, more narrowly defined, concern that helped shape the amendment. This was the reasonable worry that U.S. firms would become incrementally committed, without anybody attending to the overall pattern, in the huge, expensive and very long-term projects to develop fossil-fuel reserves in Siberia. But sufficient review mechanisms now exist to make it unnecessary to single out the Soviet Union.

If we want to expand trade, then Ex-Im is useful for a variety of reasons. Most major banks are, without Ex-Im participation, up against their legal lending limits to the Soviet Union.[16] Such government-supported export credits are a conventional part of international finance, and are used in putting together financing packages in all the major countries. The "Gentlemen's Agreement" on export promotion credits among the major Western industrial countries will help to check an out-and-out credit race.[17] Ex-Im is a way of introducing a needed note of stability into trading with the Soviet Union, for the Russians take its participation as a sign of Washington's "approval."

One of the constant concerns about trading with the Soviet Union is the supposed weakness of individual firms and banks when up against the U.S.S.R., Inc. Thus Ex-Im becomes one of the instrumentalities for righting such a balance. It gives the U.S.

[16] According to one estimate, there is, because of legal lending limits, less than $450 million in potential credits left in the U.S. commercial banking system. *East-West Markets,* December 13, 1976, p. 3.

[17] After two years of negotiations, seven leading capitalist countries agreed to "exercise self-discipline" and harmonize their export credit policies, beginning July 1, 1976, for a one-year trial period. Among the basic compromises, the West Europeans agreed to raise interest rates, while the United States would shorten maturities. Also, base interest rates were established for developing, intermediate and advanced countries (as determined by per capita GNP).

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government an input into negotiations, allows it to monitor what is going on from the point of view of the national interest, and can be used to express the temperature of overall relations. These are exceedingly important roles. Not all Western countries are concerned with the political content of trading with the Russians. Britain and Canada, for instance, regard the provision of export credits almost entirely as a way to stimulate domestic employment. For the United States, however, the political aspects are just as important as the economic, and we do ourselves no good by denying ourselves this most useful instrumentality. The Congress can find better ways to exercise its oversight than through rigid and self-defeating Export-Import Bank restrictions.

We must recognize, however, that the issue of credits has taken on a new dimension since the disruption of the trade agreement, etching more starkly the basic question of how the Soviet Union will pay for what it buys. The strengthening of the Soviet position in the world economy implied by the recent rise in gold and oil prices now seems to have been more apparent than real, at least when measured against its demand for the products of the West. The Soviet drive to acquire Western technology, coupled with the purchase of grain because of two bad harvests, has led to a dramatic increase in the Soviet hard currency debt—from $2.5 billion at the end of 1970 to $10 billion at the end of 1975 to $14 billion at the end of 1976.

There is a tendency in some quarters to dismiss too quickly the significance of this debt. For instance, it is noted that Brazil's debt is almost twice as large. As reassurance, this is not altogether satisfying, however, for Brazil's debt is also something to be concerned about. Moreover, the rest of the world has much more data about Brazil's economic and financial situation than about the Soviet Union's, and so can see more clearly what is in store for Brazil. Another explanation is that this debt is the result of the two bad harvests, and so does not reflect a trend. However, it is reasonable to assume that a good deal of hard currency slated for one area (technology imports) was shifted to another (agricultural imports), but that the total amount set aside for hard currency transactions may have been unchanged.

A third reason often proffered for not worrying is Russia's reputation for commercial probity: while squabbling from time to time over interpretation, Moscow has never defaulted. But we cannot be sure that this behavior will last forever. Indeed, we have had one recent example of a communist country that came very

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close to defaulting. For a year or so, North Korea not only did not make payments due, but did not even answer letters from those in the West who had extended credits. Even with good intentions, the matter can get out of hand. After all, as already noted, foreign imports in the Ninth Five-Year Plan were to rise by 35 percent; instead, they rose by 186 percent.

It is also pointed out that the Soviets have a large amount of credit available in the West that they have not even touched.[18] While some may want to see such facilities as a sign of stability, we must recognize that they also afford the Soviets the opportunity to pile up even more debt. The leverage that the debtor has over the lender cannot be altogether discounted, nor can we completely ignore the possibility that Russia might join the ranks of the less-developed countries and even some of the developed countries—endlessly rolling over and rescheduling debts never to be repaid in the context of an increasingly unstable international payments system.

None of these concerns can be simply waved away. Still, it is reasonable to expect that the Soviets will be able to manage their debt. The hard currency debt is small when measured against GNP, unlike the case with many developing countries.[19] The flow of trade with the West is very important to the Soviet Union, and default or some other form of repudiation would have a shattering effect that would take many years to repair. That in itself, combined with the central control over the economy, would suggest that the highest priority will be given to handling the debt.

The new Five-Year Plan does, however, project a further increase of up to 35 percent in growth of trade with the West, and that will certainly put more pressure on the Soviet balance of payments. Preparations for the 1980 Olympics in Moscow are creating a whole new range of foreign currency demands. Thus, attention must be given to how the Soviets will pay. The question is being phrased in the international capital markets, where, despite Soviet irritation, lenders are now asking the U.S.S.R. to pay slightly higher rates.

Over the last several years, the Soviets have consistently talked of entering Western markets in a large way with manufactured prod-

[18] In February 1975, the British arranged a 950-million-pound credit facility for the Russians. Only 42 million pounds had been used until December 1976, when a British-led consortium won a 100-million-pound contract for a gas-pumping system.

[19] Steven I. Davis, "How Risky is International Lending?" *Harvard Business Review*, January-February 1977, p. 140.

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ucts.[20] In the past few months, there have been strong indications that they are backing away from such thinking. They realize that a very considerable concentration of resources would be required in order to produce to world market standards; enterprises would have to develop much quicker reaction times than those to which they are accustomed; and they are unwilling to make such commitments for uncertain results. As a variant, they have talked a good deal about compensation agreements, whereby Western firms would provide technology, equipment and skills, and, in turn, take part of the enterprise's manufactured output as payment. However, there is very little to show for all the seminars and discussions on the subject. For it would have to be a very bold Western firm that would want to commit itself to take the manufactured products of a Soviet enterprise for sale on the world market over a period of years—given the questions about quality control, flexibility and responsiveness to changing demands.[21]

However, compensation agreements further down the production ladder will be one of the main ways that the Soviets will finance their trade, in effect paying for the Western imports with the raw materials and semi-processed goods that result from the various projects—natural gas for pipelines; chemicals and fertilizers for chemical factories; timber and coking coal in exchange for participation in timber and coal developments in Siberia. A substantial part of the debt arises from such projects, and this portion of the debt will be self-liquidating over several years.

In general, the Soviets will continue to rely on their raw materials, as they have from the beginning, to pay for their modernization, although domestic demand and fears of future shortages will increasingly compete with the need to earn hard currency. Oil will become more important; raising prices for oil deliveries to Eastern Europe is meant to enforce demand restraint and so free Soviet oil for sale at higher prices in hard currency markets. The Soviets always have their old standby—gold sales—although, as one of the major producers, Russia must exhibit restraint to avoid driving the

[20] Between 1965 and 1974, manufactured goods accounted for between 3.4 percent and 4.6 percent of total exports to the developed West. More than a quarter of these exports in, for instance, 1974, went to Finland, which has a special trading relationship with the Soviet Union. Paul Ericson, "Soviet Efforts to Increase Exports of Manufactured Products to the West," in *The Soviet Economy in a New Perspective*, Joint Economic Committee, Washington: GPO, 1976, pp. 721–22.

[21] At this writing, one American firm is close to entering into such a relationship. Bendix expects to sign a contract to assist the Soviets in establishing an automobile sparkplug factory and will take a percentage of the output for marketing through its worldwide network. Bendix apparently will be able to exert control over quality.

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price of gold down.[22] In a form of petrodollar recycling, the Soviets have been able to raise hard currency by selling weapons to Middle Eastern oil producers. Finally, Moscow has clearly gambled on raising hard currency through invisible trade—especially its rapidly expanding merchant fleet.

The handling of this debt will, in itself, call for greater economic interdependence, not only through such mechanisms as the aforementioned compensation deals and shipping, but also in the provision of more information. Up to now, the Soviet Union has been able to borrow simply as the U.S.S.R. Inc., in effect, telling Western officials and bankers, "We are the Soviet Union." However, the debt is now so large that more balance-of-payments data will be called for on such matters as debt structure, invisible capital flows, and export composition.

VI

The difficulties and dangers that expanding trade poses for both sides are all too visible, all too frequently cited. It is much too easy to overlook the possibilities and value—again, for both sides. If elements of a new relationship fail to emerge from growing economic relations, little will have been lost except for opportunities foreclosed. But the basic stakes are so important that we must try to develop common interests between the Soviet Union and the United States. Trade is the most obvious area in which to work, and compromise will be required of both sides. The Soviets are more likely to be responsive to Western concerns about human rights in the context of expanding economic relations. We do not want to find ourselves, in three or four years, regretting possibilities missed in Soviet-American relations, as we now recognize was the case in the late 1950s. The seriousness of the Soviet interest in stabilizing relations with the United States should not be discounted. Affirmative decisions are required in Washington. The Congress and the new Administration should respond with care, but also with flexibility, foresight and more than a hint of boldness.

[22] It is estimated that the Soviet Union sold a billion dollars worth of gold in the West in 1975 and again in 1976. *East-West Markets*, January 12, 1976, p. 15; January 10, 1977, p. 9. It exported $4 billion worth of oil to the West in 1976, 40 percent of the total merchandise exports.

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Charles Gati

THE "EUROPEANIZATION" OF COMMUNISM?

During the almost six decades that have passed since the Russian Revolution of 1917, two contradictory qualities have distinguished the international communist movement. One has been the persistent Soviet effort to subordinate the interests of foreign communist parties to those of the Communist Party of the Soviet Union (CPSU); the other has been the equally persistent effort of these parties to resist such "Sovietization" and, in the process, to question Moscow's leading role in world communism. Now, in the aftermath of last summer's Conference of European Communist Parties in Berlin, a third tendency may be observed in the international relations of the communist movement—the prospective export of what has come to be known as "Eurocommunism" *from West to East,* signifying a historic shift in the direction of influence and initiative within world communism.

At issue, then, is no longer only the much-discussed challenge to the primacy of Russian interests in the communist movement. After all, most foreign communists have long refused to see themselves as instruments of Soviet foreign policy or, more generally, to allow Moscow to impose its will on them. Tito's Yugoslavia defied the Soviet Union as early as 1948–49; the Italian Communist Party (PCI), under Palmiro Togliatti, advanced the once unthinkable notion of polycentrism soon after Stalin's death in 1953; and China's opposition to the leading role of the CPSU began to surface only a few years thereafter. Indeed, the classic Soviet definition of a communist revolutionary—as one who "without evasions, unconditionally, openly, and honestly" makes the cause of world revolution synonymous with the interests and, indeed, with the defense of the U.S.S.R.[1]—has long become an embarrassing reminder of a past most communist parties in the world would rather forget.

What we are beginning to witness now is the active promotion by

[1] For the full text of this definition, see J. V. Stalin, *Sochinenia,* Vol. X, Moscow, 1949, p. 61.

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the more moderate European parties of their own brand of socialism. In their search for popular support and respectability—and perhaps guided by considerations of principle as well—the "Eurocommunists" of Italy, Spain, and, to a lesser extent, France have come to present their vision of "socialism with liberty" as one with both West and East European, if not quite universal, applicability. Having gone beyond criticism of single events in the East—such as the Soviet-led invasion of Czechoslovakia or the harassment of dissenters in several of the ruling party-states—they now press for the emulation of their own concepts and, hence, for systemic political change in Eastern Europe and eventually the Soviet Union itself.

Professor Lucio Lombardo Radice, a leading member of the PCI's Central Committee, for example, recently expressed the view that it was "inevitable that the Italian, French, or Spanish 'model' should become a political problem for the ruling communist parties." Linking Eurocommunism with the "socialist opposition" in the East—he mentioned Medvedev in the Soviet Union and Havemann in the German Democratic Republic—Radice further argued that "one can no longer conceive of Eurocommunism as the regional variant of a strategy ordained by the official Marxism of the socialist countries. The truth is that there is a clash between two general perspectives. What is at stake is the relationship between socialism and liberty, and the way that relationship is worked out is equally relevant to the socialist and capitalist countries."[2]

That Eurocommunism is neither a "regional variant" of communist doctrine nor a "political problem" for Western Europe alone was evidenced by the Berlin Conference of European Communist Parties. Countering Moscow's "official Marxism" and, indeed, dominating the conference were the "autonomist" parties of both Western and Eastern Europe—of France, Italy, Spain, Yugoslavia, Romania and others. Even though the West European parties' proclaimed commitment to pluralism was notably absent from the stated positions or present practices of the East European parties of Yugoslavia and Romania, what united them was their shared desire to resist Soviet ideological hegemony. With the Soviet leaders on the defensive, then, the proceedings vividly displayed the strength of the increasingly assertive Eurocommunist parties.

One measure of that strength and thus of the magnetism of the

[2] "Problemi dall'Est per il PCI: Il caso Biermann," *La Stampa* (Turin), December 8, 1976. In an early, pre-Berlin comment on Eurocommunism as an all-European phenomenon, Robert Kleiman observed that "democratic Communism in Italy and other West European countries might split the Communist world more profoundly than Titoism and undermine authoritarianism in East Europe." "Italy's Communist Tide," *The New York Times*, December 2, 1975.

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Eurocommunist phenomenon is the extent to which Eurocommunism poses an alternative to the more authoritarian Soviet model in world communism, particularly in Eastern Europe. To assess the prospects for such an eventuality, three questions must be raised: (1) Can the Eurocommunist objectives—including the gradual liberation of Soviet-style communism from its rigid and Byzantine features—be regarded as genuine? (2) Can Eurocommunism be exported to Eastern Europe—is it "transferable"? (3) Can the Soviet Union be expected to adjust itself to, or indeed to tolerate, the de-Russification and, hence, the Europeanization of communism?

II

Despite its apparent imprecision, the term "Eurocommunism" has gained wide currency as a convenient designation for a more tolerant, moderate, and democratic tendency in world communism. It refers, in particular, to the outlook of the Italian Communist Party, with its long history of theoretical divergence and partial independence from Moscow under the leadership of Gramsci, Togliatti, and Berlinguer; but the term also connotes the outlook of other West European parties—notably those of Spain and France—which have only lately come to adopt some of the features of the Italians' ideological platform and political approach.

Underpinning that ideological platform are three interrelated propositions.

—First is the persistent demand by Eurocommunists that each party be free to apply the teachings of Marxism-Leninism according to national needs and circumstances. What is being advocated as "socialism in French colors" or "socialism Italian style" is, of course, tantamount to a rejection of the universal validity of the Soviet "model" or experience.

—Second is the Eurocommunists' disavowal of any claim to a monopoly of power and thus to the establishment of a "dictatorship of the proletariat." Declaring its respect for the "verdict of universal suffrage" and pledging its commitment to "freedom of opinion, of expression, of association, of the press, the right to strike, free movement of the people, et cetera," the program of the French Communist Party (PCF), for example, puts great emphasis on pluralism and "the uninterrupted extension of democracy."[3]

[3] Jean Kanapa, "A 'New Policy' of the French Communists?" *Foreign Affairs*, January 1977, pp. 280–94.

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—Third is the Eurocommunists' related interest in, and, indeed, their insistence upon the creation of a broad coalition of political forces to seek the resolution of pressing economic and social problems. Called the popular front or united front policy in the 1930s and 1940s—when it was widely regarded as a short-term tactical device to gain power—it proposes the cooperation of diverse political elements, some Marxist and some not, but all sharing a common program aimed at the reduction and, eventually, the elimination of the power of monopoly capital.

Perhaps the only novel formulation here is the Italian modification of the popular front policy through the advocacy of the "historic compromise." Instead of seeking a presumably narrow and very possibly shaky majority based exclusively on an alliance of the Left, the PCI has lately embraced the idea of a "grand coalition" that would include the centrist Christian Democrats as well. Responding to the lessons of Chile—in particular, to the military coup that overthrew President Allende's Popular Unity Front government of the Left in 1973—the PCI has since sought to avoid a similar polarization of political forces in Italy, assuming that even if a Leftist coalition were to obtain a majority of the votes in a general election, it could not govern effectively if threatened by the prospect of civil strife. Accordingly, the party's 1976 election program stressed that "a possibility is emerging that never before existed in Italy and has few parallels in other countries: the possibility of collaboration among various forces which, without abandoning their own ideologies, . . . [can] work for common political and social goals in the common interest."[4] In short, the PCI regards the "historic compromise" not only as the only viable political alternative to economic stagnation and chaos, but as a major step toward the once-heretical idea of accommodation between the country's working classes on the one hand and the middle class on the other.

Whether the "historic compromise" is merely a skillful variation on the popular front theme under changing conditions or whether it actually represents the repudiation of popular front policies remains an open question. The rest of the Eurocommunist platform, however, is more likely to invoke both a sense of skepticism and a feeling of déjà vu in Western students of communist politics.

For one thing, the Eurocommunist positions strikingly resemble those advanced by *East* European party leaders after World War

[4] *The Italian Communists* (Rome; PCI Information Service for Abroad), No. 2, n.d., p. 10.

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II—just prior to their seizure of power. After all, it was not Enrico Berlinguer in 1977 but the Stalinist Jozsef Revai of the Hungarian Party in 1944 who said, "I declare that we do not regard the national collaboration [of the several parties] as a passing, political coalition, as a tactical chess move, but rather as a long-lasting alliance. We will stand by our given word."[5] In a similar vein, it was the Bulgarian Georgi Dimitrov, one-time General Secretary of the Communist International, who stated at the November 7, 1945, anniversary celebration of the Russian Revolution in Moscow that the "assertion that the communists allegedly want to seize full power . . . is a malicious legend and slander. It is not true that the communists want to have a single party government."[6] And it was Wladyslaw Gomulka of the Polish Party who declared in 1946 that the Polish road to socialism is "significant because it does not include the necessity of a violent, revolutionary, political upheaval . . . [it has] eliminated the necessity of a dictatorship of the proletariat."[7]

The West European party leaders' own statements should also generate some doubt about their long-term commitment to the democratic process. In a secret speech to the Central Committee of the PCF in June 1972—the contents of which were disclosed three years later—Georges Marchais had referred to the Communist-Socialist union of the Left as one "favoring intervention of the masses, a springboard for the people's movement and for the development of its action."[8] By using such code words, he seemed to suggest that the communist concessions implicit in the joint platform of the Left were more apparent than real, and that they would pave the way to the realization of the party's essentially unchanged objectives. In another speech, Marchais explained what the PCF had apparently meant by a multiparty system. Although no one familiar with what is left of the once predominant Polish Peasant Party or with East Germany's dormant Christian Democratic Union would ever mistake them for active partners in a genuine multiparty system, Marchais, alluding to the ruling communist party-states, claimed that "of the fourteen socialist countries, a single party exists in only six, while there are two or more parties in the other eight."[9]

Nevertheless, the main issue is neither the sincerity of the Euro-

[5] *Delmagyarorszag* (Szeged), December 5, 1944.
[6] *Izvestia,* November 13, 1945.
[7] Wladyslaw Gomulka, "People's Democracy: The Way to the Peaceful Development of Poland," *Political Affairs* (New York), April 1947, pp. 328–35.
[8] *The New York Times,* August 3, 1975.
[9] *L'Humanité,* September 13, 1972.

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communists' professed intentions nor the similarity between their statements and those of the East European parties in the postwar years. Historical analogies can be—and in this case probably are—quite misleading, for the very special circumstances that existed in Eastern Europe after World War II simply do not pertain to Western Europe in the 1970s. To begin with the most obvious factor, the political allegiance of Eastern Europe was ultimately determined by the proximity of the Soviet Union and the presence of the Red Army. In addition—contrary to revisionist interpretations of recent vintage—the West could provide no more than verbal encouragement to indigenous non-communist elements during their struggle for power. The profound social, economic and political crisis that followed in the wake of the war's devastation and the collapse of the region's old regimes also created circumstances calling for *some* radical remedy. Finally, with the notable exception of Czechoslovakia, the imposition of authoritarian rule was abetted throughout Eastern Europe by the absence of adequate training and experience in political democracy.

By contrast, while prevailing internal conditions in some of the West European countries may well make communist participation in a governing coalition possible and perhaps even necessary, international conditions would seem to impede the fulfillment of any residual communist ambitions for hegemony. Aside from obvious geopolitical factors—which make the Soviet Union a distant, albeit interested, observer—economic interdependence within the Common Market combined with extensive commercial ties between the United States and individual West European countries tend to militate against the establishment of a one-party communist state. Even the experience of Portugal—a country largely outside the mainstream of West European economic life—suggests that external pressure through economic leverage, such as the withholding of aid, can translate into considerable political influence.

Nor should one underestimate the continuing political strength of indigenous democratic forces in Western Europe. In view of the still vigorous, if cautious, backing of Italy's Christian Democrats by the Catholic Church, it is surely premature to dismiss their popular appeal. In France, where both the Communist-Socialist alliance and the Gaullist coalition are embroiled in contentious maneuverings, the polls suggest dramatic gains in popular support for François Mitterrand's Socialist Party and a slight, but significant, decline for the PCF. While Mitterrand remains strongly opposed to a centrist coalition with President Giscard d'Estaing—and thus to

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the isolation of Jacques Chirac's Gaullist movement on the Right and the Communists on the Left—the Socialists' impressive comeback to a position of senior status within the Left alliance and their strained relationship with the PCF do combine to create a new opportunity for a non-communist political alternative.

There is something to be said for the record of the West European communist parties as well. At one time or another since World War II, particularly between 1945 and 1947, communists joined the governments of France, Italy, Belgium, Luxembourg, Austria, Greece, Norway, Denmark, Iceland and Finland; they helped keep the Swedish Social Democrats in power for years as they now assist the Christian Democratic Party of Italy; and they managed, or participated in the management of, municipal governments in hundreds of cities and towns throughout Western Europe. Indeed, part of their present appeal stems from a record of efficiency and integrity in local governing bodies. More important, only in Greece—under chaotic political conditions three decades ago—did one of these communist parties make an overt move toward political hegemony. That the others did not do so does not mean, of course, that they either did not wish to or that they might not do so in the future; rather it means that in the face of countervailing power—be that the strength of domestic political competitors or the fear of external reaction—they have quite consistently opted for a cautious course and, indeed, for what seemed politically feasible under the circumstances.

All in all, the Eurocommunist parties' past experience in office, their opponents' political skill and enduring appeal and, above all, the international environment within which they operate constitute the main conditions circumscribing their strategy. Convinced of the soundness of their goals, they have kept that strategy highly competitive and assertive. Quite naturally, they seek more power and influence. The question, however, is not so much what their final goals may be but whether they are sufficiently restrained to seek only what is attainable even if it conflicts with what they consider ultimately desirable. Paradoxically, then, one can remain skeptical about their long-term commitment to political pluralism and still concede the authenticity of their limited objectives; for, given prevailing conditions now and in the foreseeable future, as well as the lessons of Chile and Portugal, the only way for the Eurocommunists to ease into positions of power is to forestall the kind of internal and external reaction that would only blunt their apparent momentum.

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III

If electoral necessity indicates a cautious strategy and a responsible posture at home, it requires a foreign policy platform that not only dissociates Eurocommunism from the oppressive qualities of Soviet-style authoritarian rule but also insists upon the expansion of individual liberty and national autonomy in the East. For in an atmosphere of lingering suspicions, the West European communist parties continue to suffer from what the East European communist parties do or fail to do and, indeed, from the very imposition of Soviet power on Eastern Europe.

For East Europeans, on the other hand, Eurocommunism is a promising source of ideological justification and political leverage in their search for more independence from Moscow. It tends to reinforce the image East Europeans have always had of their historic role in Europe as a bridge between East and West and, more recently, as a kind of ideological potting shed for the introduction of Western ideas into the Soviet Union. In addition, Eurocommunism falls on fertile soil in Eastern Europe: after all, its early variant—national communism—was born in Yugoslavia and then nurtured, though not always successfully, by Imre Nagy in Hungary, Wladyslaw Gomulka in Poland, Alexander Dubček in Czechoslovakia, Gheorghe Gheorghiu-Dej and Nicolae Ceauşescu in Romania, and others.

But the East European elites' attraction to Eurocommunism derives mainly from their traditional belief in the impact of international developments on the processes of internal change and their reliance on it in charting their political strategies. The past shows that they have used and even manipulated various international alignments and trends to serve domestic political ends. De-Stalinization in the mid-1950s, the Sino-Soviet rift in the early 1960s, the presumed uncertainty of the new Brezhnev regime in the mid-1960s, and such Western manifestations as the promises of *Ostpolitik* and of the Soviet-American détente during the last decade have all been utilized—individually and collectively, directly and indirectly—to help modify the political profile of Eastern Europe. That the otherwise highly authoritarian Albanian regime could escape Soviet domination and Romanian foreign policy could diverge from Moscow's international positions was, of course, facilitated by the Sino-Soviet rift. That the Hungarians' New Economic Mechanism and the ill-fated Czechoslovak experiment in "socialism with a human face" could gain ground was due

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to the initial sense of uncertainty the post-Khrushchev leadership had projected between 1964 and 1968.

Today, East Europeans widely predict and earnestly anticipate the effect of Eurocommunism on their region. Because it is sponsored by communist parties with which the Soviet Union maintains a comradely, if guarded, relationship, and because it has acquired considerable legitimacy in world communism, Eurocommunism is viewed as a viable within-system alternative to the Soviet model. In fact, as an alternative to prevailing theory and practice, it may prove to be the most potent foreign stimulus to have affected Eastern Europe since the convulsion produced by de-Stalinization in the mid-1950s.

Like de-Stalinization, Eurocommunism also confronts Eastern Europe with the almost certain prospect of further atomization. Significant differences have already surfaced between those who welcome the political opportunity inherent in Eurocommunism and those who fear its consequences. As of now, the "autonomist" parties of Yugoslavia, Romania and Albania are actively promoting and anxiously protecting their own brand of socialism, while Yugoslavia has already adopted not only many of the foreign policy features but also some of the domestic planks of the Eurocommunist platform. At the other end of the political spectrum, the "loyalist" parties of Bulgaria, Czechoslovakia and East Germany remain deeply suspicious of Eurocommunist declarations of independence from Moscow, even though intellectuals in both Czechoslovakia and East Germany have recently invoked Eurocommunism to legitimize their demands for cultural freedom. Finally, the rather ambiguous Polish and Hungarian appraisals of the Eurocommunist phenomenon suggest internal debates in these two "centrist" parties between loyalist leaders who maintain that closer identification with Eurocommunism could jeopardize their delicate relationship with the Soviet Union, and autonomist leaders who claim that rejection of all aspects of Eurocommunism could upset the precarious balance at home.

Like other external stimuli in the past, then, Eurocommunism has galvanized a new and divisive debate throughout Eastern Europe, impelling a timely reassessment of political options. The result of these deliberations remains an open question. It seems clear, however, that the ultimate response of the East European regimes to Eurocommunism is going to depend less on the loyalists' ideological reservations than on the adjustments these regimes

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believe they must make under changing social, economic and political conditions.

Of these conditions, the potentially most explosive now is the assertive mood of the industrial working class. Last summer's violent food riots and strikes in Poland indicate not only the workers' dissatisfaction with economic conditions but also their willingness to take considerable risks to advance their interests. That the Polish government would immediately cancel the proposed price increases and then punish the workers less severely than their intellectual defenders also suggests that a communist regime cannot easily resort to repressive measures against its own working class. It is one thing to silence or even imprison critical intellectuals; it is something else to stifle workers on whose behalf all communist parties claim to govern.

Although such large-scale riots and strikes have not occurred elsewhere, there is apprehension everywhere in Eastern Europe about the implications of the Polish events. For, in addition to facing the persistent economic dilemma of how to combine economic growth with an improved standard of living, the communist party-states are also confronted with the equally persistent political dilemma of how to avoid similar outbreaks by providing orderly procedures for the expression of legitimate grievances. (Aside from Yugoslavia, so far only the Hungarian party has sought to use the otherwise timid and party-controlled trade unions as a forum for the articulation of working-class interests, but in this case the unions' rather narrow-minded leaders have used them less *for* the industrial working class than *against* the increasingly prosperous peasantry and the technical-managerial-professional middle class.)

Inherent in the active manifestation of working-class discontent, moreover, is the failure of the East European regimes to reconcile the needs of rather sophisticated economic systems with the professed ideological imperative of centralized political control. Their inability to make the necessary systemic adjustments is reflected in the ongoing confrontation within the elites between reformist modernizers—who promote decentralization, material incentives, and reliance on non-party expertise—and the more purist members of the party elites who consider such measures contrary to proper ideological standards. The issue is whether new impetus can be given to the region's deficient economic systems solely within the confines of prevailing ideological and political limitations, or whether—given the impact of global inflation, growing foreign indebtedness, inadequate technological innovation, low productivity, and, in some countries, severe shortages of food and

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consumer products—fresh political initiatives and ideological flexibility have become unavoidable. In their search for the good society, then, the proprietors of power in Eastern Europe must choose between relying on purely economic palliatives or acquiescing in incremental political concessions.

This is where Eurocommunism intersects with the dilemmas of Eastern Europe. For, under admittedly different circumstances, the Eurocommunists have come to recognize that the restructuring of the economic base necessitates far-reaching reform of both their own political concepts and of the political system as a whole. While the PCI platform, for example, speaks of economic measures to curtail inflation, increase productivity, and develop more sophisticated technology, and while the PCF has addressed itself to the issue of excessive foreign debts and the dangers of a highly centralized economy as well, it is clear that, in the Eurocommunists' view, only their participation in political change can solve the "general crisis of capitalism" in Western Europe. Advocating greater political access, involvement and participation in the political process, the West European communists affirm not the intrinsic merits of a pluralistic polity, but the liberating contribution to economic efficiency of broadly based, more open and inclusive political systems.

Should the party-states of Eastern Europe realize that the only way to economic salvation is through the gradual opening-up of *their* political process, they would find in the selective adoption of the Eurocommunist platform a convenient, if potentially destabilizing, guide to action. Assuming that they would tinker with the present political system only as much as they believed necessary and assuming, further, that they would proceed with circumspection, they might emulate the intriguing and admittedly tenuous formula the Italian Christian Democrats have recently worked out with the PCI. The Italian formula is a peculiar variant of political co-optation: PCI consultation and assistance combined with the Christian Democrats' retaining ultimate responsibility for the exercise of political power. Adapted to conditions now prevalent in Eastern Europe, the communist parties would continue to control the major levers of power, but they would seek to co-opt such political elements as they must, with the industrial working class involved in the management of factories—for which the moderately successful Yugoslav "workers' councils" might serve as a model—and the intelligentsia participating in the formulation of cultural and economic policies. Eastern Europe could also revive its venerable tradition of parliamentary activity (which even in the past only seldom coincided with Western-style competitive party

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systems), by allowing contested elections between two or more candidates of similar orientation vying for a seat, and by encouraging genuine legislative debates about public policy, including budgetary priorities. Even these limited reforms would begin to provide for a modicum of historical continuity, convey a commitment to a more open society and, in the end, contribute to the legitimacy of the regimes.

Such a Eurocommunist Eastern Europe would likely mitigate persistent socioeconomic problems and, in particular, allay working class discontent by infusing the East European publics with a sense of political rejuvenation. Furthermore, by promoting, however cautiously, the twin goals of political liberty and national autonomy, a Eurocommunist Eastern Europe would apply itself to the vital tasks of appeasing intellectual dissenters and, most important, satisfying presently unfulfilled national aspirations.

IV

The Eurocommunist anti-model is thus a profound challenge to Soviet theory and practice; even its partial introduction into Eastern Europe might serve to unite the Soviet leadership behind a rigid, conservative and possibly violent reaction.

To the extent that its security depends on Eastern Europe, the Soviet Union would fear the gradual disintegration of the Warsaw Pact. To the extent that its economy depends on extensive trade with Eastern Europe—particularly with East Germany, Czechoslovakia and Poland—the Soviet Union would fear the weakening of bilateral economic ties and the fading away of the Council for Mutual Economic Assistance (COMECON). To the extent that the Soviet leaders insist on ideological primacy in Eastern Europe, they would fear being deprived of what is left of their universalist pretensions. To the extent, finally, that Moscow would accede to the legitimacy of a Eurocommunist Eastern Europe, it would fear domestic pressures for similar reforms in the Soviet Union itself.

While these fears may not always seem justified or compelling, on all too many occasions during the last three decades—under Stalin, Khrushchev and Brezhnev—they have served to spark harsh Soviet actions against threatening developments in Eastern Europe. Stalin's compaign may have failed to reverse Yugoslavia's "revisionist" course, but his brutal purges did contain—during his lifetime at least—Tito's radiating influence elsewhere in Eastern Europe. Prompted by such fears, Khrushchev crushed the Hungarian revolution in 1956 and Brezhnev did likewise with respect to

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the 1968 "Prague Spring." Even now, in this era of peaceful coexistence, Moscow remains as firmly opposed as ever to competing socialist alternatives in the pro-Soviet party-states of Eastern Europe, irrespective of whether they are inspired by West European social democracy, Yugoslav revisionism or, for that matter, Chinese "dogmatism."

Against this background, an uncompromising Soviet response to the introduction of Eurocommunist ideas into Eastern Europe might well seem foreordained. After all, the Soviet Union could not accept the socialist program of Dubček's "Eurocommunist" course in Czechoslovakia even though, with the Communist Party in a leading position, the Dubček regime continued to operate on the basis of the one-party system. In the end, Soviet intervention put an end to the *limited* expansion of civil liberties, including freedom of the press and assembly, curtailed popular participation in the political process, and aborted the country's moderate economic reforms.

Yet it is equally instructive to recall that, for several months prior to their intervention, the Soviet leaders had engaged in an almost desperate search for a nonmilitary solution to the crisis. They had met the Czech leadership at an unparalleled Politburo-to-Politburo summit as they sought to persuade Dubček and his colleagues to slow down the momentum, if not necessarily reverse the orientation, of Prague's reformist course. They had also held extensive consultations with their East European allies, and it was the East German Walter Ulbricht rather than Brezhnev who most stubbornly advocated military action.[10] Indeed, only after it became clear that the Dubček regime could neither mollify nor control ever-increasing popular demands did the Soviet leaders abandon consideration of alternative courses of action.

Thus, while their reluctance to resort to military means can neither excuse nor justify what they eventually did, even the Czechoslovak case illustrates that Soviet foreign policy toward Eastern Europe has been more circumspect and ambiguous than commonly assumed; it has shown a measure of restraint and a good deal of procrastination. That it is, indeed, a curious mixture of imperious behavior combined with some tolerance toward diversity has been demonstrated time and again. For, despite Soviet displea-

[10] For a unique eyewitness account of the July 1968 pre-invasion summit of Soviet and East European leaders in Warsaw, see Erwin Weit, *At the Red Summit: Interpreter Behind the Iron Curtain*, New York: Macmillan, 1973, especially Chapter 11. Weit had been Gomulka's interpreter before defecting to the West.

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sure, Yugoslavia, Albania and even Romania—which, after all, refused to take part in the invasion of Czechoslovakia—remain essentially autonomous. Despite severe and public criticisms by Soviet (and East German) economists and ideologists, the far-reaching and quite liberal Hungarian economic reform has managed to survive. And despite its own repressive practices at home, the Soviet Union has long accepted the relatively tolerant attitude of successive Polish governments toward the Catholic Church and toward Poland's largely independent peasants.

Needless to say, Moscow's grudging tolerance of diversity does not denote approval of pluralism, nor is the practice of military intervention precluded by the known preference of the Soviet leadership for achieving its goals by nonmilitary means. On balance, then, past Soviet performance still indicates the likelihood of continued and resolute opposition to the adaptation of Eurocommunism to Eastern Europe.

To recognize that a heavy-handed Soviet response is *likely,* however, is not to suggest that it is either foreordained or foreclosed. The economic, political and ideological cost to the Soviet Union of its imperial posture in Eastern Europe is increasingly prohibitive. First, the economic cost has become such that, contrary to the pattern of the 1950s and 1960s, Eastern Europe is now an economic liability to the Soviet Union.[11] Given the rising price of basic commodities, especially oil, the Soviet Union has suffered large and still growing losses in its trade with Eastern Europe. By selling such commodities somewhat below world market prices and by providing a vast market for East European goods for which there is not always a ready outlet in the West or in the Third World, the Soviet Union has come to be a greater economic asset to Eastern Europe than Eastern Europe is to the Soviet Union. Second, the political cost of Moscow's hegemonic policies includes the perpetuation of deep-rooted popular discontent and high elite tension in Eastern Europe, combined with the damaging effect of such policies on the integrity of ostensibly limited and altruistic Soviet foreign policy objectives elsewhere. Finally, the ideological cost of the Soviet imperial posture is the further alienation of the Eurocommunist parties of Western Europe that makes it ever more difficult for the Soviet leaders to recapture their leading role in world communism.

[11] Cf. Paul Marer, "Has Eastern Europe Become a Liability to the Soviet Union? The Economic Aspects," in Charles Gati, ed., *The International Politics of Eastern Europe,* New York: Praeger, 1976, pp. 59–81.

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V

Eurocommunism is not going to solve the "general crisis of communism" in Eastern Europe any more than it could solve the "general crisis of capitalism" in Western Europe. As of now, there is sufficient internal and external resistance to it on both sides of the continent to limit its influence and appeal. Should such resistance continue, the Eurocommunists will merely accelerate egalitarian trends in Western Europe toward the gradual fulfillment of social needs; in Eastern Europe, they will encourage the expansion of individual liberties. In both Eastern and Western Europe, only through the process of co-optation into existing political structures and ideologies can the Eurocommunists obtain the partial implementation of their platform.

Because authoritarian regimes seldom realize *when* they must adjust to changing conditions and *how* to make the necessary adjustments, the introduction of Eurocommunist ideas can have a far more destabilizing effect on Eastern Europe than on the relatively flexible political systems of Western Europe. Indeed, the major issue in Western Europe is not how to absorb the Eurocommunist parties' ideas, but how to maintain sufficient internal and external opposition to their residual ambition for political hegemony. For the Soviet Union and its East European supporters, on the other hand, the Eurocommunist phenomenon signifies a reversal in the flow of influence and initiative in the communist movement, challenging the very legitimacy of their rule and offering the prospect of a Europeanization of world communism.

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Michel Rocard

FRENCH SOCIALISM AND EUROPE

The French Left is at the gates of power. Long impotent in the face of Gaullist or conservative rulers, it has for a good many years now achieved an intellectual, programmatic and, above all, a popular renaissance that upsets the rules of the French and European political game.

This renaissance rests, first of all, on a new Socialist Party whose active membership has doubled over the last five years and whose political and economic program has taken a new form, one emphasizing the theme of self-management (*autogestion*). The renaissance of the French Left rests, secondly, on a Communist Party which is more and more bound to a French definition of socialism and which is, as a consequence, like other European Communist parties, following a road that diverges from that of Moscow. These two parties have concluded that, based on their positive evolution, a Union of the Left could be formed. The untiring efforts of French Socialist leader François Mitterrand laid the foundations and furthered the consolidation of this union, whose symbol and contract is the Common Program signed by the two parties in 1972.

In the next elections to the National Assembly, the parties of the united Left will be running on a precise program which is known to all, and to which they have been committed for the life of the legislature, that is to say, for five years. French democracy would profit if every political party had such a clear program.

The program of the Left is designed first of all to ensure justice and liberty for the most disadvantaged elements in French society. This is the continuing goal of the struggle of all socialist forces. But there will be no chance of achieving this goal if the present international situation is not taken into account.

II

The world in which the French Left is called upon to fulfill its responsibilities is still characterized by the preponderant presence

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of the two principal victors of the Second World War. The balance of their political, economic and military forces is the main given in the international system. Any expansionism on the part of one or the other raises the danger of a definitive conflict. However, this basic equilibrium should not conceal the multipolarization of power. Power may be economic, as seen in the encouraging strides made by both young and old nations which have become masters of their own resources; it may be military, as seen in the deadly spread of atomic weapons; it may be economic, political and military, like the birth in China of a people that the twenty-first century awaits to claim as its own after so long an absence. Power may, finally, be that of nothingness, that is, of despair. Isn't the power born of oppression and of poverty, nourishing not bodies but hatred, the most dangerous source of local conflicts, whose spread could be fatal?

In view of these developments, the principles that guide the French Left and will be applied if it comes to power are clear. First of all, France is situated geographically and historically in the Western world; it is within the West that France has established most of its political, economic, cultural and military ties; and it intends to remain there. Then, too, it is France's own wish that dictates this: centuries of exchanges and friendship call for a future that will draw on the best from the past. It is also in France's interest, for no one today is capable of proposing a realistic theory of peace different from that which rests on the military balance. This is why, in affirming its independence, France must continue to belong to its own camp and to defend it against possible future pressure or aggression from the other camp.

This attachment to one of the two existing camps is all the more important in a period marked by an intense Soviet military build-up and by the instability in certain Mediterranean regions, specifically the Middle East or, perhaps tomorrow, Yugoslavia, the originality of whose development is a rich asset shared by East and West. This does not in any way reduce the urgent necessity of exploring all paths to disarmament and to the halt of nuclear proliferation, and—even as stated in the Common Program of the Left—paths to a new international and European system that will one day permit the replacement of the Warsaw Pact and NATO by a new set of international guarantees. The new Democratic Administration in Washington is making appropriate efforts in this direction. For its part, the French Left explicitly desires that partial measures of disarmament be implemented in Europe as a step toward general disarmament: creation of denuclearized zones; a

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freeze on arms in Central Europe; and controlled and balanced reduction of forces and armaments in Europe as a whole.

National independence, respect for alliances, and participation in a concerted effort at disarmament, all bound together, would thus constitute the first principle of international action of a French Socialist government. The second objective would be the search for new solidarities. For much of the world France continues to be the symbol of liberty, for it was one of the first nations to gain it. But this incomparable capital of sympathy has often been squandered through a lack of ambition or through broken promises. The French historical tradition would be revitalized by the new politics of the Left and would enable a Socialist government to strengthen France's relations with many countries, especially those on the Mediterranean littoral which are experiencing a democratic evolution after having suffered under dictatorship, and those of Northern Europe—closer to France economically—the functioning of whose political institutions and whose social achievements are often of a higher quality than our own. Many different futures can be constructed with these countries.

Further away geographically, many developing countries in Africa, Asia and Latin America expect a new attitude on France's part toward development and international economic relations. The Lomé Convention, which France actively promoted between the European Community and certain African countries, has already brought about more equitable relations of cooperation and trade. This approach must be continued.

III

And what of Europe? The French socialists were participants in the government when the Treaty of Rome establishing the European Economic Community (EEC) was signed. It was hoped that this organization would lead to the realization of one of the grandest ideas of the twentieth century, the European idea. Alas, things turned out rather differently. The EEC has, above all, allowed multinational corporations to conduct, in all states where they have located, centralized business practices consisting of, for example: blackmail based on employment, pressures and corruption à la Lockheed, brakes put on policies for regional development, monetary speculation, domination of entire economic sectors of a country—such is the balance sheet of the capitalist integration that has occurred, to the detriment of the economic and technological independence of the countries of the EEC. To this must be added

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the deterioration of the environment and of living and working conditions in regions and economic sectors affected by this savage restructuring.

One can thus understand why, despite a desire for peace and cooperation on the part of Europeans to whom two world wars have made clear the atrocious absurdity of nationalist rivalries, Europe has not yet succeeded in becoming a new idea on its own territory or in generating truly popular sympathy. These restraints and contradictions which have now taken the place of the restraints and contradictions that grew out of the cold war 30 years ago have not sapped the Socialist will to build a Europe. What the French Socialists want to do is to build in France a socialist society that will lead them to pose the problem of a widening of their struggle on a European scale, of the construction of a workers' Europe with a dimension that will be conducive to solving problems common to peoples whose bosses are no longer in Paris or in Bonn, but in New York or Chicago if not in Bermuda or the Bahamas.

Economic relations with our European partners have, by now, led to such interdependencies (35 percent of French imports come from West Germany, while 28 percent of French exports go to Germany) that a French withdrawal into itself could only lead to an economy rife with shortages and restrictions. Autarky plus police control is certainly not the model of socialism we wish for France. Besides, what problems in the structural transformation of our society—industrial policy, regional development, regional balance, transportation, agriculture—can be solved independently of other European nations?

Such interdependence might be considered a handicap. It is true that the domination of German and American capital over several important branches of our economy (energy, the steel industry, chemicals, machine tools) does have the effect of reducing our margin of maneuver for a leftist experiment in France. But one should also note that the effect of the victory of popular forces in France would redound to the benefit of the trade union movement and of all the European socialist parties with which the French Socialist Party has close ties through the framework of the Socialist International, and would permit the neutralization of hostile forces of the European Right and of multinational capital.

The right of veto (requiring unanimity for certain categories of decisions) will help safeguard French attitudes and freedom of action in essential areas if, by any chance, our adversaries should try to use European regulations (on free competition, credit and circulation of goods) to prevent the socialist transformation of our

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country. And, in any case, such behavior could be neither systematic nor abusive without running counter to their intended goal.

The principal failure of the Europe controlled by big business comes from its having thought it possible to create a European identity simply by lowering political and tariff barriers. But free trade, either in theory or practice, cannot create an identity. There will not be a European identity, a collective sense of belonging to a community, without instruments of common public power: a European citizenship that will go beyond the limited institution of a European passport to more far-reaching arrangements permitting nationals of another European country, after a certain number of years of residency, to take part in elections in the country where they reside or work, and to the creation of a common industrial statute guaranteeing workers not only the same social advantages, but also the same rights in supervising the running of their enterprises. The French Left, whose proposals are among the most advanced in this respect, could set an example in this area. For example, a common civil code, making uniform all national regulations on marriage, adoption, divorce, and the status of minors, or a common policy for the defense of freedom of the press and the right of free association and assembly, could be important elements for consolidating a European sense of identity.

IV

We share with our Communist partners, and with all French people attached to national independence, the refusal to abandon our sovereignty under the false pretext of building Europe. For independence has no meaning unless it is independence of policy. European harmonization has no meaning unless it is a harmonization of specific policies: perhaps in such areas of public services as the distribution of electric power or the railroads, with transfers of authority to agencies or community institutions, experiments could be contemplated. All this requires case by case negotiations, that is, the joint determination of ends and means as well as of guarantees, i.e., organs of control and political supervision.

Here again, the development of an alliance among the progressive forces of Europe, one enjoying the adherence of a large body of opinion of the different member states, will be our most valuable support. For this alliance to be born and to flourish, we need not allow ourselves to be content with the repercussions of an electoral victory of the Left in France, nor seek—like the revolutionaries of 1789—to export a model or an ideology. Rather, a socialist France, actively participating in all European institutions, would be able to

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make proposals responding to the common problems of all the workers of Europe.

Our European choice results from the convergence of two factors: our own desire and the constraints which the development of capitalism puts on us. It thus represents a wager, and like all wagers, entails risks. But these risks are the only ones compatible with the construction of socialism in liberty. The policy of turning in on ourselves, of autarky and of mistrust, to which we could be led by a certain neo-Gaullist irredentism, could not be sustained without economic policing—in short, without police *tout court*. Besides, what kind of Socialism would this be which, having just won a considerable electoral victory in France, immediately sought to wall itself snugly within its borders? European Socialists will not take on a siege mentality.

I am not closing my eyes to the difficulties of the undertaking. Much depends on our partners in the Union of the Left. We share with them the categorical refusal to let the Europe that is in the hands of big business and international capital dictate to the Left what it must do in applying the program on which it will have been elected. We also share the commitment of the Common Program to direct our actions within a European framework and to work for the democratization of European institutions.

The mask of Gaullist speeches on the theme of national independence has been removed, at the very time when the domination of international monopolies over the French economy was allowed to strengthen itself. The phoniness of a Europe of unemployment, inflation and austerity is startling. More than ever, the destinies of Europe and of socialism are linked. Socialism will not endure in France without the assistance and support of the forces of progress in Europe. And socialism is itself indispensable to the construction of Europe.

As for the American people, how strange a destiny is theirs! They are among the most generous and the most inventive in the world, but the defense of their privileges often incites them to grave struggles in the service of sordid regimes where they lose their souls and the essence of their democratic principles. In conversations which I have had with the new Administration during my recent trip to the United States last January, I caught sight of a new attitude on the part of American leaders. The immense wrong caused by brutal diplomatic and military behavior has at last been understood. Are the great benefits that democracy would draw from the extension of liberties and popular power in France also understood?

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To achieve their ends, the French Socialists do not want to discourage the freedom to set up new enterprises. On the contrary, just like those who fled an aristocratic Europe to construct a fraternal America, they only oppose privilege. Such is our state of mind which all those who conduct day to day economic relations with France must understand. Foreign enterprises, especially multinational corporations, will have to respect the laws in force, whose purpose will be to organize production in a more just manner. Such a rule is simple; it has no hostile character; it results from the free exercise of national sovereignty; it permits—indeed, it encourages—the development of better international economic relations. For all these reasons, the possible taking of responsibility by the French Left must be seen objectively as an event that will give the people of one of the oldest democracies in the world the means to enlarge their democratic activity and to place political development on the same level as economic development.

Nothing else is involved. Indeed, why would there be anything else? The task is already so vast and so rich in hope, both for free people and for those who aspire to be free.

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Rubén Berríos Martínez

INDEPENDENCE FOR PUERTO RICO: THE ONLY SOLUTION

The Commonwealth of Puerto Rico is a political and economic anachronism.

Twenty-five years ago the establishment of the Commonwealth of Puerto Rico was the official U.S. response to the worldwide process of decolonization. It was the "showcase of democracy" for colonial peoples and underdeveloped countries, the U.S. model of how a country could pull itself out of poverty "by its own bootstraps" through an intimate political and economic relationship with the United States.

By 1977, the Commonwealth of Puerto Rico has become a source of embarrassment to the United States. Today Puerto Rico is one of the few colonies left in the world. It is an extreme example of social deterioration, with some of the world's highest indexes for drug addiction, alcoholism, broken families, and criminality. The economy is admittedly decadent: real personal income has decreased since 1973, real unemployment rates fluctuate between 30 and 40 percent, while 71 percent of all households depend on the U.S. food-stamp program.[1]

The world has changed. The United States has changed. Puerto Rico has changed. But the legal and economic structures of Commonwealth status remain unaltered, a bar to economic, social and political development congruent with the new realities. Commonwealth is a brittle residue of the cold war, a pawn left over from a game of international politics long since concluded.

On December 31, 1976, President Gerald Ford declared that he would submit to Congress legislation for the admission of Puerto Rico to the Union as a state. President Ford's Tory farewell to the bicentennial year of the Declaration of Independence was a confession of the economic and political failure of Commonwealth, and underlines the need to think anew on Puerto Rico-United States relations. This rethinking, in my view, will demonstrate that the convolutions of Puerto Rican political history can only be under-

[1] All economic data in this article have been taken from the official reports of the Puerto Rico Planning Board.

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stood as a prolonged and vain attempt to circumvent independence as the self-evident right of Puerto Rico.

II

On July 25, 1898, as a consequence of the Spanish-American War, U.S. troops invaded Puerto Rico. They confronted a homogeneous society four centuries old and at that time in the first stages of capitalist development. The still young native bourgeoisie was composed mainly of landowners of small and medium-sized holdings devoted to the cultivation and processing of coffee, tobacco and, to a lesser degree, sugar cane. It was a class of ample culture and growing political expertise.

The urban middle classes were integrated by connections between government employees and retail businessmen closely tied to Spanish political and commercial interests. A small number of craftsmen and industrial workers spread throughout the Island had not yet coalesced into an urban working class. But the vast majority of the population were the landless agricultural workers and subsistence farmers, mostly illiterate and traditionally alienated from the official political and cultural institutions of the Spanish colonial system.

Shortly before the invasion, the Autonomic Charter of 1897, accepted by Spain as a way of sidestepping independence, had established on the Island a limited elective government. This Charter, generous though it was, was the work of the Creole landowning class whose economic and social ideology closely matched the political program of fin-de-siècle Spanish liberalism. Autonomy meant the orderly administration of Puerto Rico by a privileged caste for its own benefit and for the economic and strategic benefit of a colonial power. This political system was unilaterally dismantled by U.S. military fiat and congressional action.

Progressive Puerto Ricans, however, had organized and developed an independence program based on the need to guarantee individual liberties as much as on national liberation. The abolition of slavery in 1873 is directly attributable to the leaders of the independence movement, who, in 1868, had planned and tried to execute an armed rebellion against Spain. Betrayed and quickly suppressed, the Grito de Lares, as this uprising came to be known, was the symbol of the Puerto Rican pro-independence struggle. But when the Spanish empire finally did crumble in Puerto Rico, it was only to make way for the imperial ambitions of the United States.

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The first four decades of the U.S. occupation were years of outright exploitation. This is an undeniable historical fact. Contemporary writers nicknamed the Island the "poorhouse of the Caribbean" and many Puerto Ricans and North Americans courageously denounced the spoliation of our economy and our culture. U.S. military and civil governments alike took every step to force on the population a process of accelerated "Americanization." Teaching in public schools and at the University of Puerto Rico was in English; the civil system of laws turned overnight into a hodgepodge, as badly translated and implemented statutes and common law concepts were imposed on the mutilated remnants of Spanish law; Puerto Ricans were made U.S. citizens in 1917 notwithstanding the opposition of the House of Delegates, the only representative body in the Island; all important public posts were filled by North Americans, mostly directly appointed by the President of the United States.

The Foraker Act of 1900 and the Jones Act of 1917 provided the political framework for colonial exploitation. Puerto Rico was unilaterally included within the U.S. tariff system and the U.S. Constitution, and all federal laws applied to Puerto Rico except when declared by the United States to be locally inapplicable. This meant that the United States held power over all the basic determinants of Puerto Rican life, including currency, defense, citizenship, international commerce, and many others in the ever-expanding field of federal jurisdiction. Puerto Rico could elect a nonvoting resident commissioner to the United States and a legislature with jurisdiction over matters of a strictly local character.

Let us consider the main events of that period which are relevant to our analysis of present-day Puerto Rico.

1. The economy was converted from one characterized by small and medium-sized holdings, owned mostly by Puerto Ricans, to large-scale agriculture controlled by U.S. absentee landlords.

Puerto Rican landowners already in economic straits as a result of devastating hurricanes during the 1890s were forced to exchange their Spanish currency for U.S. dollars at devalued rates. This reduction in their capital resources was accentuated by the massive influx of U.S. capital into Puerto Rico. The smaller and middle-sized estates owned by Puerto Ricans became uneconomical as absentee corporate bodies accumulated vast latifundia centered on modern, well-capitalized sugar mills and tobacco manufacturing companies. Laws were enacted to forbid corporate bodies to hold lands over 500 acres but such laws were not enforced against the U.S. trusts and corporations. The Puerto Rican landowning classes were decimated, became permanently indebted to their

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corporate masters or led a life of idleness on the income derived from land leases. Thus, patterns of social, political and cultural leadership were disrupted in Puerto Rico long before the urban-industrial development of the 1940s and 1950s.

2. Organized labor sought at this time to establish its hold on the predominantly agricultural working classes of Puerto Rico. Its acknowledged founder and longtime leader was Santiago Iglesias Pantín, a Catalan anarcho-syndicalist who arrived in Puerto Rico from Cuba in December of 1895. From the start his work was an obvious threat to the Creole ruling elite. The patrician leaders of Puerto Rico's political structure resented and fought this unexpected attempt to reorganize politics on a class basis. But to many workers it made sense to do so: landlords, businessmen and bureaucrats were the concrete, the evident oppressors.

In 1899 Iglesias founded the Free Federation of Labor of Puerto Rico which became affiliated to the American Federation of Labor. The Socialist Party, founded in 1916, became the political arm of the Free Federation of Labor. Because the labor movement looked upon U.S. institutions as those which would provide for the improvement of working conditions and living standards, it adopted a pro-U.S. and pro-statehood position.

Thus a partisan disjunction between social justice and political liberation developed throughout the twentieth century. A double process of political confrontation resulted from the consequent erroneous perception of the relationship between social and political liberation: on the one hand, a class struggle with internationalist (i.e., pro-United States) overtones; on the other, a political conflict with independence, autonomy and assimilation as alternative goals.[2]

By 1932, confusion reached absurd heights when the Socialist Party joined in a winning coalition with the extreme right-wing and the pro-assimilation Republican Party of Puerto Rico as the only possible means of defeating the pro-independence Liberal Party.

3. Pro-independence sentiment and organizations also flourished during these decades. By 1932, the pro-independence Liberal Party, presided over by Antonio R. Barceló, was the strongest electoral organization in Puerto Rico. In 1932 it obtained 44 per-

[2] The ideological rationalization for coupling the vindication of social rights to an assimilationist stand was spelled out by Iglesias in 1907 in an article entitled, "Self-government for Whom?" His thesis was that the Puerto Rican bourgeoisie would establish a republic that would benefit only themselves. Workers, on the contrary, should incorporate themselves into the U.S. labor movement which then included progressive, even socialist, elements. The work of men like Eugene Debs made Iglesias fail to realize that trade-unionism, not socialism, was the dominant ideology of U.S. labor organizations.

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cent of the vote, and in 1936, 46 percent. The Liberal Party derived its strength from the traditional elements of Puerto Rican society – the professional and landowning bourgeoisie, and the agricultural workers and squatters from the central, mountain regions who still maintained personal relationships with the landowners. The Nationalist Party, headed by Pedro Albizu Campos, represented radical nationalism. It took its stand with a frontal fight against the interventionist power and served as a catalyst of pro-independence feeling during the 1920s and 1930s. The violent suppression of the Nationalist Party came to a climax with the first prison sentence against Albizu Campos in 1936 and the Ponce Massacre of 1937, when the police ambushed and killed many unarmed nationalists.

III

After the 1936 elections, Luis Muñoz Marín and a group of leaders comprising the most radical independence sector of the Liberal Party left the party and in 1940 founded the initially pro-independence Popular Democratic Party (PDP). After a prior statement that "independence is just around the corner," they then declared that political status would not be an issue in the 1940 elections.

Muñoz Marín tried to merge the independence ideology with the existing socialist movement under the slogan "Bread, land and liberty." His program carried the PDP to a slim electoral victory in 1940 with 37 percent of the vote. Four years later the party obtained a resounding triumph, and an overwhelming majority of the leaders elected on the PDP ticket petitioned the U.S. government for the independence of Puerto Rico. The PDP continued enjoying great electoral success until 1968.

Starting in 1941 and aided by President Roosevelt and Governor Rexford Guy Tugwell, the PDP initiated an economic and social reform program somewhat in the style of the New Deal, but still within the framework of the colonial relations which had existed since the turn of the century. The colonial legislature in these initial years of PDP government passed laws on minimum wages, labor relations, and agrarian and tax reforms. Internal government structures were improved by providing them with modern innovative instruments such as the Planning Board, the Budget Bureau, the Personnel Office, the Industrial Development Bank, the Industrial Development Company, and a number of commissions in charge of new programs.

The PDP and its leader, Luis Muñoz Marín, were very successful in consolidating their political power and providing the political

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stability which was indispensable to the government's particular postwar strategy for economic growth, based on the attraction of U.S. capital. To consolidate political power, Muñoz Marín had to face two important groups within his own party. One of the these groups consisted of pro-independence leaders; it included almost all of the top-echelon members of the Party. Muñoz Marín, who had been an advocate of independence up to 1940, moved swiftly and with great ability to "convince" them of the need to postpone or give up their plans for independence. This task culminated in the autocratic decree of February 10, 1945, which in effect forbade members of the PDP to join groups or organizations promoting independence. Most leaders stayed with Muñoz, but others left the PDP and in 1946 together with other independence leaders founded the Puerto Rican Independence Party. Political repression and a campaign equating economic growth with political dependency contributed to the decline of the Puerto Rican Independence Party from the mid-1950s until well into the 1960s.

Labor leaders constituted the second power group that had to be dealt with in order to ensure political stability. Muñoz Marín proclaimed himself the only leader of all workers in Puerto Rico and used every weapon at hand to keep labor unions small, divided and tame. Prominent labor leaders were kept within the PDP through appointment to executive office or election to safe seats in the legislature.

Gradually, in the early 1950s, the PDP drifted to the Right, losing in the process its populist "mystique." Step by step it evolved into a powerful political machine in the style of Tammany Hall, with abundant political plums and government jobs to lavish on its followers.

The first important reform in Puerto Rican political relations with the United States after 1917 came in 1947 as an amendment to the Jones Act giving Puerto Rico the right to elect its own Governor. And so, in 1948, Luis Muñoz Marín became the first Governor elected by the Puerto Rican people.

Two years later the U.S. Congress enacted Public Law 600, giving the Island the power to draft its own Organic Act which was to be called "the Constitution." All the provisions of the Jones Act, which governed the relationship between Puerto Rico and the United States, remained unaltered but were now to be known as the Federal Relations Act. Puerto Rico obtained absolutely no additional economic or political power, except the right to design the structure of its internal government, under the ever-watchful eye of the U.S. Congress. The U.S. Constitution and federal laws continue to apply on the Island, except in the case of a few

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provisions which Congress or the federal courts unilaterally decide do not. The Island was then rechristened in Spanish with the high-sounding name of Estado Libre Asociado de Puerto Rico which, in English, was ambiguously called "Commonwealth."

A quotation from the Senate Report explaining and recommending the passage of the bill will suffice to prove that Puerto Rico obtained no additional powers with the enactment of Law 600: "It is important that the nature and general scope of S. 3336 be made absolutely clear. The bill under consideration would not change Puerto Rico's fundamental political, social and economic relationship to the United States"[3] The same definite statements are to be found in the House Reports,[4] and exactly the same viewpoint was expressed by Interior Secretary Oscar L. Chapman, when recommending the passage of the bill.[5]

The establishment of Commonwealth was used to create the myth—both for internal and external consumption—that Puerto Ricans exercised the right to self-determination because in 1952 they accepted Commonwealth in a yes-or-no referendum. Puerto Rico, according to the official version, freely self-determined against self-determination; we were asked to believe that a people can use one of the instruments of the republican form of government, i.e., the right to vote, to deny themselves the very essence of a republican form of government which is the full participation of the governed in creating the laws which are to govern them.[6]

IV

During the war years, the PDP, backed by Governor Rexford G. Tugwell, had experimented with economic and social reforms which extended to the development of government-owned and

[3] United States Congressional and Administrative Service 1950, Vol. 2, Page 2682. A partial list of the powers held by the U.S. government demonstrate the extent of U.S. control to which Puerto Rico is subjected: eminent domain; defense and military service; tariffs; foreign commerce; foreign relations; currency; shipping; internal and external navigation; internal and external communications; citizenship and nationality; immigration and emigration; bankruptcy; air space; maritime limits and coast guard; treaties; patents. Other areas where there is theoretical concurrent jurisdiction are to all intents and purposes under U.S. jurisdiction—forests, monopolies, ports and airports, minerals, internal commerce, quarantine laws, minimum wages and labor laws and procedures.

[4] *Ibid.*, p. 1894.

[5] *Ibid.*, p. 2685.

[6] The Puerto Rican advocates of the present Commonwealth status have within the last few years developed the curious rhetorical trick of adding the adjective "common" when mentioning the powers held by the federal government, thus trying to create the false impression that Puerto Rico shares these powers with the federal government. The dollar is therefore called "common currency"; American citizenship goes by the name of "common citizenship"; the military power of the United States and its power to establish bases on Puerto Rican soil and to draft young Puerto Ricans into the United States Armed Forces, is known as "common defense"; and federal powers over commerce and tariffs are blithely transformed into a "common market."

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operated industries and utility companies. When the cold war set in, however, such experiments became suspect and the PDP turned to capitalism for inspiration in a new strategy of economic development—Operation Bootstrap.

Since 1900, the Foraker Act had included Puerto Rico within the U.S. tariff system and exempted the Island from the application of the federal internal-revenue laws. These long-standing trade and fiscal peculiarities, plus the extremely low wages then prevalent in Puerto Rico, allowed the PDP to obtain capital for industrial development by offering U.S. entrepreneurs tax holidays, subsidies and other incentives. The energetic promotion of Puerto Rico as an "investment paradise" was quite successful at a time when the booming U.S. economy faced practically no competition from other, war-ravaged industrial nations. U.S. investments in Puerto Rico resulted in tax-free earnings from the production of duty-free goods for the U.S. market under substandard, "foreign" labor conditions and wages.

An economic program for Puerto Rico almost exclusively financed by the import of U.S. capital to promote industrial development and almost totally devoted to production for export to U.S. markets was obviously incompatible with independence. One immediate effect of the adoption of Operation Bootstrap as an economic development strategy, however, was the new position taken by the PDP on the status issue. Autonomy—political, social and cultural—was postulated as compatible with economic integration: Puerto Rico, we were told, could have the best of both worlds.

This, of course, did not prove the case. Operation Bootstrap, which relied on U.S. capital and technology for the development of an industrial private sector, had an unstated, inbuilt dependence on U.S. funds—federal and private—to finance the social and infrastructure costs of economic development with a consequent enlargement of federal and bondholders' power which could only erode autonomy.

But political accommodation and Operation Bootstrap resulted in dramatic changes for Puerto Rico from the late 1940s to the late 1960s. Income per capita rose from a little less than $200 in 1950, to almost $1,200 in 1967.[7] The industrial sector became dominant,

[7]Per capita indexes have continued to climb: by 1976 per capita income was around $2,000. The reality of statistical growth must, however, be measured against debt, inflation, unemployment, etc. which have grown disproportionally since 1967. Obviously, increases in per capita income after 1967 do not reflect real economic growth even in the very limited sense that such a term can be applied to any phase of Operation Bootstrap; much less do they reflect an improvement in the pattern of the distribution of wealth, which is as lopsided as in 1940, if not more so.

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and the economy was transformed from an agricultural to a modern, industrial economy.

This model became a "showcase" for the United States and some international agencies. Here you had a small country which was experiencing rapid rates of economic growth by following much of what is considered orthodox capitalist doctrine: (1) free trade; (2) no obstacles to foreign investment; (3) acting as a support agent for private enterprise; (4) the adoption of social, cultural and technological norms based on those of a highly industrialized nation (the United States); and (5) a party system with periodic elections. Puerto Rico became the proposed U.S. alternative to national liberation and socialist development for colonial peoples and underdeveloped countries, and it was aggressively promoted as such.

Such a political and economic program placed Muñoz Marín's portrait on the cover of *Time* magazine and had his "political philosophy" promoted in the editorial pages of *The New York Times*. Yet what exactly did this process entail?

Operation Bootstrap was implemented at great cost to Puerto Rico. The displacement of our population was the first sacrifice made to statistical economic growth. Between 1945 and 1964, close to 750,000 Puerto Ricans—more than one-third of the population—left the Island, lured by promises of a better life in the United States and forced to leave by an economic growth model which provided few jobs.

It has been the official government posture that it neither stimulated nor obstructed the migration process. However, it has become abundantly clear from documents which recently came to light that in fact the government had a very active migration policy. Thus, in a 1955 confidential report to the Governor, the Planning Board suggested that at least 60,000 Puerto Ricans should leave the Island annually in order to maintain unemployment at prevalent levels. In 1948, a Commission made up mostly of government officials had already noted that the migration of women was particularly important not only to alleviate unemployment but to reduce the birthrate. More recently, in 1974, the government again made clear its intention to encourage migration to the United States.[8]

But large-scale emigration failed to compensate for Operation Bootstrap's failure to generate enough jobs for the remaining population. The PDP then resorted to a pervasive welfare system as a prop to economic growth and to compensate for unemploy-

[8] Oficina del Gobernador, Taller de Empleo, Adiestramiento y Educación, Documento de Integración y Síntesis, San Juan: 1974.

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ment. Since, however, top priority had been assigned to the development of an economic infrastructure for tax-exempt industrial growth, funds were not available in Puerto Rico for social programs; thus, the Commonwealth became an eager participant in the expanded federal welfare programs of the 1960s. And as the amount of federal funds increased—from 10 percent of the total gross domestic product in 1959–60 to 30 percent in 1975, reaching in that year a total of $2 billion ($1.2 billion net)—so, too, did federal power. Our already limited capacity to direct our own process of development decreased. Autonomy under Commonwealth became almost exclusively identified with tax havens for U.S. capital.

Even massive federal transfers were not enough to assure the viability of Operation Bootstrap. The government perforce became the leading economic sector. Between 1969 and 1973, government employment increased from 105,000 to 155,000. The government's debt increased from $1.5 billion in 1969 to $6.6 billion in 1975. This increase in the public sector's debt, which is almost exclusively owed to U.S. creditors, was made necessary by the ever-increasing demands on government to generate jobs and from the needs of large new industries for infrastructure investments.

By 1967, it had already become evident that the process of industrialization, with emphasis on light industry, inadequate though it was, had reached its limit. This was caused by a number of factors. Puerto Rico was confronted with competition from a number of countries in Europe, Japan and from low-salary countries (e.g., Taiwan, South Korea, the Dominican Republic, Haiti, etc.), particularly in those industries which had been the core of its development: textiles, women's clothing, shoes and other light industry. Forced to buy U.S.-imported goods at New York prices, labor demanded higher wages. This reduced Puerto Rico's absolute advantage in relation to the rest of the world as well as to the states of the Union, particularly those of the South. As a result, the government looked to capital-intensive, highly polluting petrochemical industries as a means of continuing the industrialization process. This gambit failed. Although investment in the industry has reached $1.5 billion since 1965, the total number of jobs generated was a mere 6,000, not the 35,000 which had been anticipated.

By the early 1970s Puerto Rico's economy was characterized by stagnant manufacturing and agricultural sectors and, consequently, by a large and continuously increasing public debt, a great dependence on U.S. transfer payments and a bloated public sector. The increased cost of petroleum further burdened the already stagnant oil-energy based economy.

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Puerto Rico needed ever-growing infusions of government funds to prop up an economy which could not develop sufficient impetus on its own. Yet the Commonwealth found itself without the means to finance such government expenditures since the industrial sector is to a large extent exempt from payment of taxes; and with the stagnation of the economy, personal incomes had also decreased and tax payments had not increased proportional to government expenditures. The only means available were further increases in the public debt and more aid from the United States.

The crisis of the world capitalist economy in 1974 and its impact on the U.S. money markets meant that even the alternative of increasing the debt was not as available as before in order to sustain economic growth. Not only was money scarce, but the U.S. lending syndicates became concerned about the solvency of the Commonwealth. The government of Puerto Rico was applying Keynesian economic theory designed to deal with short-run cyclical downswings to cope with structural economic stagnation. And the situation was made worse because such spending was financed by increases in the externally held debt. Puerto Rico's colonial status precludes the control of monetary supply as a means of dealing with the public debt.

The concern of the mainland and of the financial syndicates led to the creation of a committee, made up exclusively of U.S. economists and financiers and chaired by Yale economist, James Tobin, to study Puerto Rico's finances. The Tobin Committee concluded that the Island's present economic situation was not the result of external economic conditions, but grew from the systemic factors we have discussed above. Furthermore, the Report suggested quite strongly that there was little hope for an economic revival of the Commonwealth.

The recommendations made by the Committee, however, prescribed economic orthodoxy to the letter: decrease government spending, freeze wages, increase taxes (but not on tax-exempt industries). These and other measures recommended by the Committee were aimed at protecting the investments of the U.S. financial sector rather than at modifying the causal conditions underlying the crisis. But, in any case, the Tobin Committee report was the death certificate for Operation Bootstrap.

Fiscal year 1974-75, the last for which complete official statistics are available, saw the Gross National Product fall by 2.4 percent; investment in plant and equipment decreased by 10.5 percent; exports by 12.9 percent; and employment fell from 775,000 to 738,000, of which 10,000 jobs were lost in the manufacturing sector. The official unemployment rate was 20 percent in 1976, even

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though Puerto Rico had a labor force participation rate of only 41 percent, one of the lowest in the world, thus making the real unemployment rate between 30 and 40 percent (as compared with an official unemployment rate of 12 percent in 1960).

What is in store for Puerto Rico under Commonwealth status is an economy based on a small industrial sector with few jobs, a large service sector (particularly in the public sphere), and the migration (or subsistence on federal transfer payments) of an increasingly large proportion of the population which is marginal to the process of production. Already, about a third of all families are completely alienated from the production process. Not only will this require an even greater dependence on the federal government, the social cost of this type of development is immense. Puerto Rico is on the way to becoming a stagnant, totally dependent, mortgaged society, subsisting on the dole.

V

The growing social and economic decomposition, a new mass of young voters born after 1940 (who, unlike their parents, have no loyalty to the PDP), the gradual but clear identification of that party with powerful economic interests—a natural outgrowth of its development theory—governmental corruption and the rusting of its political machinery, resulted in a loss of political strength for the PDP during the 1960s. This, in turn, paved the way for the victory of the New Progressive Party in 1968, when it obtained 43.6 percent of the vote.

The NPP was founded by a group of leaders, headed by industrialist Luis A. Ferré, who left the old Republican (pro-Statehood) Party when that political organization refused to participate in the 1967 plebiscite.[9] Mr. Ferré ably adopted a populist program more left of center than the PDP's. He also used Muñoz Marín's old strategy of declaring that political status (in this case, Statehood) was not an issue in general elections.

Early in his tenure Mr. Ferré abandoned his campaign commitment of not pushing for statehood. He repeatedly asked for support for statehood among his friends and colleagues in the U.S. Republican Party. He was severely criticized in Puerto Rico for such activities and gradually lost the support of the many thou-

[9] In 1967 a plebiscite was held in Puerto Rico to consult the electorate on status preferences. Three choices were placed on the ballot: Independence, Statehood and the "culmination" of the Commonwealth. Since the results of the plebiscite were by definition not binding on the government of the United States, the Puerto Rican Independence Party, then the only pro-independence party in Puerto Rico, refused to participate, and campaigned for electoral abstention. Of those voting 60.41 percent voted for Commonwealth, 38.98 voted for Statehood, 0.6 percent despite the boycott sponsored by the PIP voted for Independence; 34.1 percent of registered voters did not participate.

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sands who had voted for him only because of his economic and administrative program and his personal appeal. Rampant corruption and inefficiency in his administration, repeatedly denounced by the Comptroller of Puerto Rico, also contributed heavily to the NPP's defeat in the 1972 elections. Thus the PDP, led by Rafael Hernández Colón, regained power promising an honest and efficient administration. He obtained 50.7 percent of the vote. But in 1976 the NPP, headed now by Carlos Romero Barceló, came back into power by attacking the PDP's administrative corruption and presenting once more a populist program.

Pointing to the 1976 elections it has been argued that there is majority support for statehood in Puerto Rico. That is simply not the case. First, the NPP's official 1976 program clearly asserts that "statehood would be achieved only after obtaining majority support in a plebiscite." Second, Mr. Romero Barceló and all leaders of the NPP continuously stressed during the electoral campaign, by all the means at their disposal (as they did in the 1968 and 1972 elections), that a vote for the NPP could not be considered a vote for statehood, and that Puerto Rico's political status was not a campaign issue but should be placed before the voters in a plebiscite. Third, even if we consider electoral results as plebiscitary, we must underline that in the 1976 elections the pro-statehood party obtained only 48 percent of the vote, while the parties openly opposing statehood obtained 52 percent. Perhaps the most important factor that has influenced the political process since 1968 has been the growing dissatisfaction of the people with the conditions produced by the increasingly ineffective "economic scheme" of the PDP and the subsequent political instability caused by this dissatisfaction.

Meanwhile the Puerto Rican Independence Party (PIP), which had experienced sustained electoral losses during the late 1950s and early 1960s, gradually started to increase its electoral strength. In 1968, the PIP obtained 25,000 votes, 52,000 in 1972, and 73,000 in 1976 when its candidate for Governor obtained 83,000 votes. Since 1972 the PIP has gone before the electorate with a program of independence and democratic socialism for Puerto Rico.

A smaller group of independence advocates, the Puerto Rican Socialist Party,[10] which professes a Marxist-Leninist philosophy, took part in the 1976 general elections and obtained nearly 11,000 votes. Therefore, the total pro-independence vote in 1976 was around 94,000 votes, almost four times as many as in 1968. The

[10] Not to be confused with the Socialist Party founded by Santiago Iglesias.

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percentage totals increased from 3.5 percent in 1968 to 6.5 percent in 1976.

Fundamental to the PIP's steady growth in votes since 1968 is the fact that, for the first time in Puerto Rican history, the struggle for democratic socialism is merged with the quest for independence.

VI

The unresolved problems of Puerto Rico require that we examine the different alternatives with both U.S. and Puerto Rican interests in mind. The United States has important interests in Puerto Rico. Corporate and financial investment in the Island is close to the $14 billion mark. Sales of American products amounted to $3.38 billion in 1976. And the Puerto Rican economy in 1976 produced $1.61 billion ($7.5 billion from 1970 to 1976) in profits, dividends, and interest payments to U.S. corporations and individuals. From a military and strategic point of view, the United States has one important naval and air base at Roosevelt Roads and a number of minor installations. Puerto Rico is still considered by some to be of strategic importance to the United States, and many consider Puerto Rico to be the physical and psychological presence of the United States in the Caribbean and Latin America. Moreover, recently discovered copper and nickel deposits as well as the petroleum deposits which it is suspected lie offshore represent very real assets which the United States would clearly like to control.

But Puerto Rico is daily becoming a more onerous burden for the American taxpayer. Gross federal disbursements amounted to $2.74 billion (net $1.98 billion) in 1976, and will continue to mount as the Puerto Rican economy deteriorates and the population increases. American taxpayers are therefore required to contribute exorbitant amounts to finance an economic system which in 1976 produced for U.S. corporations and individuals more than $1.5 billion dollars, a substantial part of which is totally tax-exempt. American cities will hardly be able to absorb Puerto Ricans by the hundreds of thousands. The strategic importance of the Island has decreased considerably as a result of advances in aeronautics and in satellite-relayed communications.

U.S. foreign policy, moreover, is no longer served by the Commonwealth formula, bereft as it is of propaganda value in a world weary of colonial subterfuges. U.S. control over Puerto Rico is understood by many to be the big stick wielded to further U.S. foreign policy aims in the Western Hemisphere and particularly in the Caribbean. Thus, Puerto Rico becomes the touchstone on which the sincerity of U.S. foreign policy in Latin America must be

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tested. Sooner or later the United Nations will confirm world opinion by declaring Puerto Rico a colony.

As a nation, Puerto Rico has the inalienable right to its sovereignty and to develop and defend an economic system which will be adequate to its needs and its resources. It must have a truly democratic system of government so that its citizens can freely elect and control all their public officials.

We yearn to live decently from the products of our work, and we have the moral responsibility for putting an end to the degrading situation of being forced to live indefinitely as welfare recipients[11] in an artificial economic structure designed for the benefit of U.S. corporations and their local intermediaries.

We claim the inalienable right to defend, protect and develop our natural resources, our nationality, our culture and our language.

We are a nation, not a military or a strategic base. And, as Latin Americans, we refuse to be used as a beachhead for the penetration and control of the Americas.

Let us examine the choices which are offered as solutions to these conflicting interests.

Commonwealth. The proposals presented by the supporters of the present Commonwealth status to acquire more power for the Puerto Rican government have been rejected by Congress time and again, but in any case all these proposals have maintained the basic economic and political structures which, as we have observed, have led us to our present condition.[12]

Congress has rejected all these proposals, in the first place because some of them present enormous constitutional problems and, in the second place, because these measures would give Puerto Rico preferential treatment over the states of the Union that the states are not ready to concede.

Furthermore, Commonwealth, under any guise, fails to comply with present requirements of international law and the expectations of the world community as defined particularly by Resolution 1514 (XV) of the U.N. General Assembly. The United States has

[11] According to Commonwealth of Puerto Rico statistics, in a population of 2.9 million there are 60,000 drug addicts; 100,000 alcoholics; 60,000 families living in extreme poverty; $1 billion spent on legal and illegal gambling; one out of every five children is born out of wedlock; and a serious crime is committed every six minutes.

[12] These proposals have at times been quite broad, including, for example, the power to determine which federal laws would apply to the island, and the power to make commercial treaties and to establish certain tariff mechanisms but only under specified conditions. At other times they have been very limited, comprising such matters as exemption from federal minimum wage and labor relations laws, and from environmental regulations, or simply, having the authorization to conduct in Spanish the proceedings of the federal court in Puerto Rico.

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been forced to risk its prestige and to resort to heavy-handed persuasion only to postpone a vote by the U.N. Committee on Decolonization regarding the status of Puerto Rico. If the United States were to persevere in flouting international law and opinion so as to maintain by subterfuge its colonial position in Puerto Rico, its prestige could only suffer. No nation can hope to remain as virtually the sole colonial power in the world and assert a claim to moral leadership in a world where over 75 new nations, all of which understand what colonialism is about, have gained their independence since the Second World War.

Twenty-five years are more than enough to demonstrate that Commonwealth status not only will not improve with time, but will undoubtedly get worse in economic, political and social terms, and that day by day it will decreasingly serve the interests of both the United States and Puerto Rico.

Statehood. Statehood is not a real alternative for the United States or for Puerto Rico.

From an economic point of view statehood would unquestionably worsen Puerto Rico's economic problems. With the full application of federal taxes, Puerto Rico would lose most of the attraction for American and foreign investors upon which the already decadent economic structure is based. Economic stagnation, greater than that existing now, would occur.

As a result, Puerto Rico would be a beggar state, destined to subsist only through massive transfer payments from the federal government. Evidently Puerto Rico would, as a state, have the right to the largest proportional share of federal welfare funds, and contribute the least to the federal treasury.

There also exist insurmountable political obstacles to statehood. As we have indicated, after 79 years of American occupation, there is no majority support for statehood in Puerto Rico. It is illusory to think that statehood will ever attain in Puerto Rico the overwhelming support that is required for admission of a state to the federal Union, support which must come close to unanimity in a Latin American country where, in contrast to Hawaii and Alaska, independence has been a constant of political life.

Among those opposing statehood, there are thousands of Puerto Ricans determined to impede assimilation by any and all means. A great number of these are to be found among the two million Puerto Ricans now living in the United States. Any serious attempt at incorporating Puerto Rico as a state would unquestionably precipitate a wave of violence, not only in Puerto Rico but also in the United States. We all know that in the past, and without the threat

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of impending statehood, grave acts of violence have taken place. Violence will undoubtedly breed repression and might involve minorities within the United States in a destructive conflict to assert by force the right to self-preservation, equality and dignity.

But what would the admission of Puerto Rico as a state mean to the United States? Puerto Rico would be a densely populated, Latin American, overwhelmingly Catholic, Spanish-speaking and, by American perceptions, racially mixed state entitled to two Senators and seven Congressmen and able to cast nine votes in the Electoral College, surpassed in electoral strength only by less than half of the states.

The language barrier alone should be enough to end speculation on the admissibility of Puerto Rico to the Union. After 79 years of U.S. occupation, the immense majority of Puerto Ricans feel no great need to speak English in their private and public life. Even supporters of statehood are very much aware of the insurmountable cultural and linguistic obstacles which statehood for Puerto Rico entails. The New Progressive Party in its 1976 program declared that "the enabling act must assure our people its maximum economic and social development, the conservation and enrichment of our culture and our Spanish language, which are not negotiable." And very recently Governor Romero Barceló reaffirmed that the Puerto Rican culture and language are not negotiable and that, if Congress is not willing to grant statehood under those conditions, he would then opt for independence.

Puerto Rico is not a case, as President Carter seems to believe (as demonstrated in his recent message to the Governor of Puerto Rico), of tolerating bilingualism in a minority. We are a majority, an overwhelming majority in our nation. Of the four daily newspaper published in Puerto Rico with a total circulation of approximately 415,000, only one with a circulation of about 40,000 is written in English. Only as a rare exception is an English language program televised by one of the five operating TV channels. And the numerous programs imported from the United States have to be dubbed in Spanish. Only one out of 84 radio stations has English language programming. Even sporting events like the World Series and boxing matches have to be transmitted in Spanish. Spanish is used in schools, universities, churches and courts of law with the few exceptions which serve exiguous minorities. Politically, this would mean that candidates to national office would not be able to communicate directly with the 1.8 million registered voters in Puerto Rico who could very well decide a close U.S. presidential election.

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Northern Ireland, Scotland, Wales and Québec, although not in the same historical and political circumstances as Puerto Rico, underline the impossibility of repressing a nationality. The question is not if or when the theoretical State of Puerto Rico would be placed on such a roster. The question is only how destructive the fight to restore us to freedom would be.

Moreover, granting statehood to Puerto Rico will have to be implemented over widespread international opposition. Caribbean and Latin American nations can hardly be expected to applaud and forget when one of their own is swallowed by the "colossus of the North." No one can foretell what exactly they would do when faced with such action. At the very least, it would certainly poison U.S.-Latin American relations for many decades. The Conference of Heads of State of Nonaligned Nations has repeatedly and unanimously affirmed the right of Puerto Rico to independence. Even President Ford's lame-duck gesture provoked an immediate and negative response from points as geographically and ideologically distant as Mexico, Cuba, Venezuela, Spain, France and the Union of Soviet Socialist Republics.

Independence. To us independence is synonymous with the development of a democracy, the full protection of civil and political rights, and a decent way of life based on a work ethic. Independence will not bring about the millennium. But independence will provide the means and conditions to develop a more permanent, more just and more self-reliant economic growth.

Difficulties will confront us. Independence will require profound changes in our work and consumption habits and attitudes so that consumption conforms to our production capability. Despite per capita incomes which are a third of what they are in the United States, our consumption habits are the same: one car for every three Puerto Ricans; television sets for 93 percent of the families. A society which receives $600 million in food stamps a year and whose government admits that 60 percent of all families are medically indigent spends $1 billion in gambling in that same year. Conspicuous consumption is financed through an enormous private and public debt ($5.3 billion and $6.6 billion respectively by 1975) which will have to be paid sooner or later, and under Commonwealth status through massive federal expenditure.

The generation of investment funds in the early years is another problem which must be faced by the Republic. Independence would vary the conditions under which Puerto Rico would have access to U.S. money markets.[13] But alternative sources of capital

[13] Income derived from Government of Puerto Rico bonds is at present exempted by federal law from federal and state taxes.

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would be available through participation in international organizations which are at present active in promoting and financing development in Third World countries. Ample possibilities exist for bilateral arrangements, particularly with the major petroleum exporting countries. Venezuela, for example, has been favorably inclined to precisely such arrangements with Latin American countries.

The regulation of our financial sector and of consumption through the use of the appropriate fiscal and monetary powers of the Republic will allow us to generate savings and allocate them efficiently. Although aggregate consumption in Puerto Rico has exceeded income in recent years, savings have been generated. But accumulated capital has been exported or has been used to finance extravagant consumption. Puerto Rican banks regularly invest hundreds of millions outside Puerto Rico, and companies established here exported $1.6 billion in 1976. A large part of this wealth can be diverted to productive use in Puerto Rico where local banks have made less than 12 percent of their loans (totaling $3.9 billion in 1975) to manufacturing and agriculture. The Republic could match, at a minimum, the investment coefficient of 24 percent, which is the figure for Latin America as a whole, or even reach the investment coefficient of a small country such as Iceland (34 percent).

The lack of free access to U.S. markets will require readjustments in some export areas. But the lack of such free access (which will affect a decreasing number of products due to recent U.S. tariff trends) will be more than compensated for by our capacity to protect the local market to assure rational import substitution and internal growth, and by access to cheaper sources of supply and transportation costs. In 1975 Puerto Rico's balance-of-trade deficit with the United States was $1,397 million—excluding crude petroleum, imported mostly from Venezuela, and petroleum products, exported mostly to the United States. The savings to the Puerto Rican economy if it had access to world market supplies would be significant. We must remember that Puerto Rico is a captive market (the fifth largest in the world for U.S. exports) through what is called in classic colonial economic theory, an assimilated tariff policy; the application of both U.S. tariffs and the Offshore Shipping Laws now lock us into an expensive market with high maritime transportation costs.

In order to generate more permanent, more just and more self-reliant economic growth, we propose a new model for economic growth and social development for the Republic—one radically different from the present colonial model and capable of solving

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the problems it has engendered and cannot solve.

The model will have three basic objectives: (1) an increase in production and employment; (2) a better distribution of wealth; (3) more self-reliant economic growth.

Our production and employment policy will be based on rational import substitution. In several studies the Puerto Rico Planning Board has stated that import substitution is feasible and desirable and that the only restraints are political (i.e., lack of protection for local production) and not economic. Puerto Rico is endowed with the economic infrastructure and with the human and technical resources necessary for such production.

Import substitution is not synonymous with autarkic development. Our industrial structure will still have an important component geared for export, but, with independence, Puerto Rico will be able to substantially increase production for internal consumption and thus generate employment. In 1975 we imported $5,055 million. There is ample scope for import substitution in durable and nondurable goods which account for close to $2,000 million of imports.

In agriculture, our goal would be to guarantee as far as possible self-sufficiency in foodstuffs. In 1975 imports of foodstuffs amounted to $787 million. More than 60 percent of our arable land lies fallow. At present, this objective cannot be achieved because we cannot protect our agriculture from the dumping of U.S. produce; because of massive propaganda by U.S. producers which cannot be matched by local producers; and because of the utilization of agricultural land for sprawling, unplanned, highly speculative residential expansion, made possible in large degree by highly concentrated land ownership patterns. In the last 20 years, the amount of land under cultivation has decreased from 600,000 to 300,000 acres.

The existence of extensive nickel and copper deposits in Puerto Rico, calculated at a value of at least $10 billion, opens up an additional avenue of production and self-reliant growth. Recent petroleum explorations demonstrate the very high possibility (according to the exploring company, 85 percent) of the existence of petroleum off the northern shore of the Island. Only under independence could Puerto Rico be assured control over this resource, since, according to federal law, states have sovereignty only to a three-mile limit, and by special concession to a ten-mile zone. The exact nature of the Commonwealth's control is yet to be determined by the U.S. federal agencies or courts.

A better distribution of income and wealth—currently the upper 10 percent of families receive 35.82 percent of income while the lower 40 percent receive 8.9 percent—will require direct public

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intervention into those specific conditions and institutions which contribute to the generation of such maldistribution. These include the present abusive tax structure; the absence of a wage, income and price policy aimed at reducing inequality; and the lack of guaranteed and equal access to health, education, legal and other services.

Our third major objective is to have control over our economic growth process. Any small country in today's world faces great difficulties in trying to achieve self-reliant growth; but independence will provide the means whereby we can extend considerably the range of decisions over which we are sovereign, decisions which are now made by the United States—foreign trade and monetary policies are obvious examples. But to fully achieve this objective the government of an independent Puerto Rico will have to control its basic economic and financial sectors, intervene more directly in the distribution of consumer and investment goods, assume responsibility for the import sector, and engage in a process of social and cultural decolonization.

Our objectives will not be reached overnight. We anticipate a transition or phasing-out period of a number of years within which some of the present economic structures will coexist with those which will characterize the Republic.

New arrangements and agreements regarding the basic financial and industrial sectors now totally controlled by U.S. capital, and whose control by Puerto Rico is central to our objectives, should be reached after careful negotiation which would include provisions for gradual and just compensation. This process must not be considered as abrupt, but as part of the development of a Republic, which, like all other sovereign nations during the last half of the twentieth century, aspires to political independence and economic interdependence with other nations.

Private and public debt would be paid through long-term refinancing agreements, and arrangements should be reached to deal with the phasing out of federal transfer payments and the transfer to Puerto Rico of various programs, such as Social Security and federal pensions, which are presently administered by the United States.

Obviously U.S. corporations would lose their privileges and monopolistic hold on Puerto Rico. The military and strategic interests of the United States would have to conform to the Republic's sovereignty over its national territory.

A number of nations in Africa, Asia and the Caribbean demonstrate the possibility of achieving independence peacefully, even in coordination with the colonial power. Such a rational process is still

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available to the United States in solving the Puerto Rican question.

The Republic of Puerto Rico, conceived in liberty and founded on rational and equitable economic principles, would protect the interests and rights of the people of Puerto Rico; free the American taxpayer of the increased cost of maintaining an unworkable economic system; and would make U.S. policies conform to the principles of liberty on which the Union was founded as well as the principles of contemporary international law.

VII

Over the last 79 years—that is, since the U.S. invasion—the Puerto Rican nationality, an integral part of the continental Latin American nationality, has shown a vigorous capacity for resistance against overwhelming odds and constant attempts at assimilation. To argue that a well-defined, homogeneous nationality like that of Puerto Rico can be assimilated, or that nationalism and the urge for freedom are not felt by the immense majority of Puerto Ricans, by pointing to the result of one or another colonial election, would be as futile as confusing the size of an iceberg with that of its visible tip.

From the imposition of American citizenship on Puerto Ricans against the expressed will of the Puerto Rican House of Delegates to last year's refusal by the President of the United States to recommend the granting of minor reforms solicited by the majority PDP through a status commission, time and again the U.S. government has acted contrary to the will of even those officially representing the colonial government and timidly requesting some autonomous powers. Independence advocates have been frequently persecuted, and in the post-Chile and post-Watergate era no one can doubt the sinister indirect and direct methods that have been constantly used by the U.S. intelligence agencies against the Puerto Rican independence movement.[14]

Within this historical context, faced with an overpowering U.S. presence and immersed in continuous anti-independence propaganda, it is not surprising that many Puerto Ricans, out of frustration and a sense of impotence, have been left with no alternative but to view the political process in exclusive relation to their most immediate and pressing needs.

[14] Some glaring examples out of a long list of recent repressive measures can be mentioned. Former U.S. Attorney General Levi openly acknowledged that the FBI had improperly interfered on many occasions with independence groups in Puerto Rico. The Puerto Rico Civil Rights Commission reached the same conclusion regarding the insular police force. In the last few years the political offices of independence parties and groups have been subjected to more than a hundred attacks with guns and bombs, and no one has been brought to trial because of such acts.

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By now it should be clear to the U.S. government that nationalist processes rarely follow a linear development. Elements which are present but not apparent, or seemingly disparate, will crystallize and fuse overnight. Québec, where after two centuries of political and economic integration, pro-independence forces with 8.8 percent of the popular vote a few short years ago became the governing party in 1976, is only the most recent example of such nonlinear development.

The dynamics of the Puerto Rican reality—economic disruption, social decay, the political disrepute of Commonwealth status, the impossibility of statehood as an alternative, the enormous cost of Commonwealth to the American taxpayer as a subsidy to a few corporations, the unacceptability of colonialism in the world community and the merging of the independence ideal with the doctrine of democratic socialism—make of independence not only the inalienable right of the people of Puerto Rico, but also the only rational solution to the status problem of Puerto Rico.

In Puerto Rico an accelerated process is going on which can lead either to a sudden explosion or to an orderly channeling of nationalism. I personally should like to believe that through mutual understanding reason will validate our right to freedom and dignity. Our people cannot live without freedom and dignity. Independence is the only solution.

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A. Doak Barnett

MILITARY-SECURITY RELATIONS BETWEEN CHINA AND THE UNITED STATES

In the developing relationship between China and the United States, the spotlight has been on official visits, trade and exchanges, and on the issues surrounding a possible normalization of relations. However, many crucial questions concerning relations between the two countries have received less public attention; they concern military-security and arms control issues, which involve fundamental questions of war or peace.

Today the United States and China have no formal military relationship. There are no explicit links, or negotiations, between Washington and Peking on bilateral military problems or arms control. Nevertheless a security relationship does exist, implicitly, as it must between any two great powers whose interests and policies intersect. Moreover, in the future, issues involving military security and arms control will have to be dealt with more explicitly and directly.

The most fundamental change in relations between the United States and China in recent years has been the transformation from a pattern of hostile military confrontation to one of military restraint and cautious accommodation. But the character of the present military-security relationship is difficult to define, and determining future U.S. policy requires analysis of some extremely delicate and sensitive issues.

Even though both the United States and China have taken steps to minimize the dangers of military conflict, the two countries are obviously not allies, and neither is likely to view the relationship in traditional alliance terms in the foreseeable future. In fact, neither can ignore the possibilities for future Sino-American conflict.

Nevertheless, in regard to security issues their policies today involve certain elements of parallelism and even of tacit coopera-

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tion. One key question for the United States is whether it should push that parallelism further. Another is whether it it should try to develop direct military links and cooperate overtly with the Chinese on matters involving military security.[1]

II

In attempting to deal with such questions, it is important to define the basic assumptions and objectives that should underlie U.S. policy. This requires an appraisal of what American military analysts refer to as the "China threat" as well as the arguments for and against future parallelism or cooperation with the Chinese in military matters.

To date, China has never had, and it still lacks, any capability to pose a direct military threat—nuclear or conventional, air or naval—to the United States itself.[2] If it develops an operational force of intercontinental ballistic missiles (ICBMs), it may be capable of inflicting nuclear damage on the United States; but China's vulnerability to massive retaliation should prevent rational Chinese leaders, with adequate control over their missile forces, from posing threats against the United States itself, although China could threaten a small retaliatory strike in the event of an American attack.

China does have a theoretical capability to pose a nuclear threat, but not at present a significant conventional threat, against Japan, the United States' major ally in Asia. But unless there are far-reaching changes in the entire East Asian situation as well as in Peking's basic policies, it is implausible that Chinese leaders would consider posing such a threat; even if they were to consider doing so, they should be effectively deterred from actually using nuclear weapons, as long as the U.S.-Japan security treaty provides Tokyo with a dependable "nuclear umbrella."

China obviously can pose a substantial threat with its conventional military forces to the smaller nations on its periphery, including some that have close relationships with the United States. There is no evidence, however, that it now plans such actions. In the context of its current overall foreign policy and the present general situation in East Asia, it seems unlikely to do so. Peking's past intervention in Korea and involvement in Vietnam were in

[1] Among the few scholarly analyses of this question is Michael Pillsbury, "U.S.-Chinese Military Ties?" *Foreign Policy*, Fall 1975, pp. 50–64.

[2] For background on China's military capabilities, see Angus M. Fraser, *The People's Liberation Army, Communist China's Armed Forces*, New York: Crane Russak, 1973; and International Institute for Strategic Studies, *The Military Balance*, 1976–77, London: IISS, 1976.

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response to U.S. actions that it saw as threatening to China. In the period ahead, even if China's new leaders are tempted to use force against small neighbors, they will be strongly inhibited from doing so by the potential dangers from retaliatory responses by either the Soviet Union or the United States, and the political and economic costs that military adventurism could incur. It is reasonable to assume, therefore, that despite China's capabilities, there is a low probability at present of China initiating major military actions even against vulnerable nations on its periphery.

One of the principal dangers the United States must consider in assessing a China threat, however, is the possible initiation of military action by North Korea or North Vietnam. China maintains important military relations with, and provides significant military support to, these two Communist "middle powers." If either of them precipitated a local conflict, China might provide them with support, and an enlarged conflict could draw in other major powers, including the United States.

China is also capable of providing military support to insurrectionary movements in nearby countries. It seems unlikely, however, that Peking will consider direct Chinese military intervention to aid such movements. In fact, Peking will probably limit even its covert support in the period immediately ahead, unless either the general regional situation or basic Chinese policies change.

At present, therefore, American leaders can and should take a relatively relaxed view of any potential "China threat." For its part, the United States should avoid military deployments and policies that might again heighten Chinese fears of a U.S. threat. Nevertheless, for political as well as military reasons, it should continue to maintain a military presence in East Asia. At present the necessity for this derives less from any imminent danger of major Chinese military action directed either against American forces or against allies of the United States than from the need to deter Moscow from increasing its military activity in the area, to psychologically reassure U.S. allies and other small nations in the region and help bolster their capacity to deal with internal insurrections or local conflicts, to help deter the medium-sized communist powers from considering reckless military actions, and to create a more stable equilibrium among the major powers in the region. In addition, a continuing U.S. military presence should reinforce Chinese prudence and restraint and ensure against the possibility of a future change in Chinese policies.

The existing strategic capabilities of U.S. naval, air, and missile forces assigned to the region will be sufficient to deter any nuclear

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threat even after China acquires ICBMs. And although the strength of U.S. conventional units in the area has been substantially reduced recently, they are also probably sufficient to meet U.S. obligations (and will continue to be so even with some further adjustments downward). In Korea, U.S. forces help both to deter North Korea and counterbalance its air superiority and to prevent provocative action on the part of the South. In Japan and the Philippines, U.S. bases provide a symbol of U.S. defense commitments and support for U.S. naval and air forces, which have an important stabilizing role throughout East Asia. Even though it is highly unlikely—and generally so recognized—that the United States will intervene with its own military forces in Southeast Asia in the years immediately ahead, U.S. military support of noncommunist nations, along with political and economic aid, continues to be a significant factor in the region and contributes to the strategic balance in important ways.

Since the start of the 1970s, the context in which security issues in East Asia must be viewed has broadened. Problems now cannot be approached simply in terms of combating, deterring, or containing any one threatening power, whether it be China or the Soviet Union. The maintenance and stabilization of the general equilibrium in the region have become the prime task. Policies designed to achieve broad political and economic deterrence—policies aimed at making major aggressive action excessively costly in political and economic as well as military terms—are likely to be at least as important as those aimed at military deterrance per se.

III

Even though neither the United States nor China can exclude the possibility of future military conflict between themselves, and must therefore be prepared to cope with that contingency, this is not a preoccupation today in either capital. In fact, there is an increasing tendency on both sides to focus attention on elements of possible parallelism or convergence in their military-security concerns and interests.

Though the parallelism that has developed is largely tacit, and clearly limited, it is important because it concerns U.S. and Chinese relations with the other major powers in East Asia. Both Washington and Peking oppose increases in the Soviet military presence and power position in East Asia, as well as in South Asia or other adjacent regions such as the Middle East. China's fear of Russia's actions, especially in East Asia, may be more acute than that of the

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United States, but the two have common interests in regard to the problem.

Both Washington and Peking also oppose major remilitarization by Japan—especially Japan's development of a nuclear capability. Here again, however, the motives and concerns of the two differ despite the elements of convergence. Washington believes that a nonmilitarized Japan, without nuclear arms, can in cooperation with the United States play a major constructive role in Asia and globally and that the remilitarization of Japan would have unfortunate political effects within Japan and could tend to destabilize the regional equilibrium, creating alarm throughout East Asia and perhaps weakening, or even undermining, the U.S.-Japan relationship. China's major concern is that a Japan without any security link to the United States might tilt toward the Soviet Union. Peking's latent long-range concern is that a rearmed Japan could become aggressive and pose a direct threat to China once again.

Despite the differences in their motivations, both countries are now inclined to use their influence, in parallel at least, to discourage any moves by the Soviet Union aimed at increasing its military role in the region—for example, efforts to expand its naval activities in Southeast Asia or to acquire base rights in the region. And in striking contrast to the recent past, China now approves the maintenance of the U.S. military alliance with Japan and favors a significant U.S. military presence in other areas of potential conflict in East Asia where a U.S. withdrawal could create a military vacuum into which the Soviet Union might move.

The Chinese doubtless still believe that eventually all non-Asian powers should get entirely out of the region, militarily, but not under existing circumstances. Today, instead of being primarily concerned that the United States will continue a military presence in East Asia, they appear more concerned that it may not be willing or able to play a strong enough role to check the rise of Soviet influence. Their position obviously could change if their fears of Moscow's intentions abated. But, for the present, the Chinese are deliberately foregoing opportunities to use their influence to weaken the American military position in East Asia and exert pressure for rapid U.S. withdrawals—for example, in their dealings with the Thais and Filipinos—and are communicating to the United States, often indirectly and elliptically, their desire that Washington not weaken its military position. The main Chinese fear at present focuses on the possible political consequences of apparent shifts in the military balance. Thus the political effects of the U.S. military presence are especially important.

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Peking's interest in a continuing military role for the United States in East Asia may be ironical, but it is an important fact that alters the basic situation, for continuation of a significant and credible U.S. military role has become a positive force in the development of U.S.-China relations. If the United States were to withdraw militarily, or the credibility of its military role in the region were to be undermined, China's view of its stake in the Sino-American relationship might significantly diminish.

IV

The kind of parallelism that exists today in the U.S.-China security relationship does not yet involve, and does not require, overt military cooperation. It is very possible, however, that in the period immediately ahead either Washington or Peking could seriously consider whether, and if so how and to what extent, the two countries should establish direct military contacts.

There were hints from the Chinese side, in conversations with nonofficial Americans during 1974–75, of possible interest in purchases of U.S. military technology. There were also articles in the Chinese press indicating that at least some leaders in Peking argued for obtaining advanced military technology from abroad,[3] and China began to purchase important military items from other Western countries.[4] However, when a congressional delegation consisting mainly of House Armed Services Committee members visited China in April 1976, the Chinese did not express any interest in obtaining U.S. arms.[5]

In the United States, public discussion of the issue, which began in late 1975,[6] increased in early 1976. Statements by former Defense Secretary James Schlesinger that there had been discussion in the U.S. government of whether to consider arms sales to China evoked statements by State Department officials that the issue had not been discussed "specifically."[7] A short time later, Commerce Department Secretary Elliot L. Richardson was reported to have

[3] See *Selections from People's Republic of China* magazine, September 15, 1976, pp. 1–14. The article, discussing a historical case, obviously favors "studying the strong points of foreign countries," "mastering the strong points of the barbarians in order to overpower them," specifically applying this to arms and military technology as well as to science and economic technology.

[4] *New York Times,* Nov. 10 and Dec. 18, 1975.

[5] Ibid., April 26, 1976.

[6] Pillsbury, "U.S.-Chinese Military Ties?" stimulated a flurry of interest; see *Newsweek,* Sept. 8, 1975, p. 15, and Dec. 8, 1975, p. 38; *Washington Post,* Oct. 9, 1975; *New York Times,* Oct. 15, 1975; *Time,* Oct. 20, 1975, p. 33; and *Economist,* Oct. 18, 1975, p. 15. For Russian reactions, see *Foreign Broadcast Information Service Daily Report—USSR,* Oct. 28, 1975, p. C-2, and Oct. 31, 1975, p. C-2.

[7] *Washington Post,* April 12, 1976.

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said publicly that the United States would be willing to discuss arms sales to China if Peking raised the subject.[8]

In the fall of 1976, Schlesinger on his return from a trip to China stated that "we should not anticipate the Chinese initiating any requests" for the purchase of U.S. arms and "should not press any such deliveries on them," but "we should not reject out of hand the notion of possibly supplying them with weapons."[9] Senator Mike Mansfield indicated that he favored such sales, stating: "They should be treated as Yugoslavia, Iran, and other countries."[10] Secretary Henry Kissinger declared that "we have never had any requests for the purchase of arms from China, so that issue has never been formally considered by the U.S. government." He added, however, that "we would take an extremely dim view of a military attack, or even military pressure, on China," and that if China wished to purchase American arms, the U.S. response would "depend on the circumstances."[11]

Though such mixed signals give no indication of how seriously the issues are being considered by the two governments, they do argue for public consideration of the policy questions involved. The issues, clearly, are of extraordinary sensitivity. Any moves toward an explicit military relationship could have far-reaching consequences for U.S. relations with the Soviet Union and Japan as well as China; they will obviously have to be dealt with by the United States with the utmost caution and prudence.

If at some point the Chinese decide to explore the possibilities, they probably will focus attention first on access to information about U.S. military technology, then later on the possibility of purchasing military equipment. Whether China should move toward military contacts with the United States will almost certainly be a highly controversial issue in China. Some Chinese leaders can be expected to oppose the idea strongly, on ideological and political grounds. Others, however, may favor it, for strictly pragmatic reasons.

The most obvious Chinese motive for deciding to extend serious feelers for contacts in this field would be the actual desire to obtain much-needed information on advanced weapons technology, or prototypes, or limited supplies of certain military equipment that would enable them to close some of the great gaps between Chinese

[8] Ibid., May 29, 1976.
[9] *U.S. News & World Report,* October 18, 1976, pp. 41–42.
[10] *The Chicago Tribune,* November 14, 1976.
[11] *Department of State Bulletin,* November 15, 1976, p. 609.

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and Soviet military capabilities. But some Chinese leaders might hope also to lay the groundwork for much more extensive cooperation that could directly involve the United States in the event of a Soviet attack on China. And it is possible that the primary objectives behind Chinese feelers could be psychological and political—a desire deliberately to arouse Russian fears of Sino-American collusion, to create new sources of U.S.-Soviet frictions, possibly to complicate U.S. relations with other nations. The United States will have to make some very difficult judgments about Chinese motives in considering its own policy. It will also have to weigh the possible consequences, direct and indirect, of whatever it decides to do.

It is possible to argue on strictly military grounds that it is desirable for China not only to be able to defend itself against possible Soviet threats but also to tie down Soviet forces in the East, and that because China is now so vulnerable, U.S. interests would be well served by actively helping Peking to strengthen its defensive capabilities. Even though Moscow would doubtless object, it would have few legitimate reasons for doing so because it now enjoys such overwhelming military superiority over Peking. Conceivably, a less unequal balance in the military strength of the two communist powers might increase the stability of their relationship and therefore reduce the dangers of conflict in East Asia. Moreover, Moscow's uncertainty about the possibility of U.S. military support of China in the event of conflict might increase its inhibitions against considering military action against China. In terms of U.S. military strategy globally, any policies that compelled Moscow to station large military forces in East Asia could be advantageous. And even very limited military cooperation with the United States might encourage China to forego, or at least postpone, development of intercontinental and submarine-launched ballistic missiles designed to reach U.S. targets.

Some sort of military cooperation could also be viewed as a means of increasing Peking's stake in the overall U.S.-China relationship and reducing the possibility that it will consider other policy options, including the reestablishment of military relations with Moscow. As a quid pro quo for military cooperation, perhaps Peking might make significant political concessions and show increased political restraint in dealings with the United States. Some who consider a far-reaching Sino-Soviet rapprochement as a real danger feel the risks of that occurring could be significantly reduced if the United States established some sort of military link with China.

Despite all such arguments, however, there will also be many

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arguments against developing overt Sino-American cooperation in the military field; it might have varied undesirable, unwanted, and potentially dangerous consequences and conceivably could involve serious risks. Any U.S.-China military link might be the first step down a "slippery slope" of U.S. involvement in problems and conflicts it should stay out of. China's internal politics and its leadership are still so unpredictable that the possibility of a reversion by the Chinese to hostile policies cannot be ruled out. Therefore, any improvement of China's military capabilities might simply increase Peking's ability to threaten U.S. allies and other noncommunist countries in Asia.

The strongest argument against steps toward a direct U.S.-China military relationship is the possibility that it would have seriously adverse effects on the pattern of relationships among the major powers in East Asia, especially those of the Soviet Union with the United States and China. If it confirmed Moscow's fears about anti-Soviet collusion by Washington and Peking, Soviet paranoia could heighten, Sino-Soviet tensions increase, and conceivably Soviet pressures on China become more severe. Chinese leaders, rather than becoming more reasonable, might adopt a more intransigent, or provocative, stance. The adverse effects on U.S.-Soviet relations could be destabilizing. And the U.S. alliance with Japan could be weakened if many Japanese came to question the basic priorities of U.S. policy in East Asia. If Tokyo's apprehensions about China's military capabilities should increase, the influence of those in Japan who favor Japanese remilitarization might also grow. Any evidence of U.S.-China military cooperation is likely also to stir latent fears of China in the smaller Asian nations.

The United States cannot ignore the risk of destabilizing the overall big-power equilibrium in East Asia by establishing military links with China. Those who minimize this risk can, it is true, cite a variety of past instances in which complex but limited military relationships were established without producing any of the theoretically possible disastrous results—for example, U.S. military aid to Yugoslavia after 1948 to bolster its defenses against possible Soviet threats despite Moscow's displeasure; Soviet military aid to Cuba after 1962 (other than nuclear missiles) despite continuing U.S. disapproval; Washington's arms sales to various Arab countries despite the possibility that those arms could be used against the U.S.-supported regime in Israel; and the symbolically important exchange visits of Romanian and Chinese military delegations, despite Moscow's obvious disapproval. Yet none of these is really

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analogous, for the U.S.-Chinese-Soviet triangle is unique in many respects, and the dangers of destabilizing the existing relationships in East Asia are much greater.

V

If the question of establishing U.S.-China military cooperation were to arise in black and white, either/or terms, all the pertinent factors could be weighed simultaneously in deciding what U.S. policy should be. The problem is more likely, however, to arise in many different guises, starting with proposals for relatively small moves, often involving subtle and ambiguous issues. The larger issue could be obscured. Calculating the potential gains and risks of small moves may be extremely difficult; and it would be a mistake to judge them on their own merits alone, without considering whether they might be the first steps leading to an escalating U.S. involvement.

If the United States is to engage in a process of direct interaction of any sort with the Chinese in the military field, it must have a fairly clear idea of where it will draw the line and stop. Before making any specific moves, therefore, it would be wise to determine not only what steps might be worth considering under existing circumstances, but also those that Washington should clearly refuse to consider, and some of the possibilities that fall between the two extremes.

Some of the initial questions will focus on whether there should be military contact of any sort. For example, should there be conversations between American and Chinese officers or military leaders? If so, in China or the United States? Or in third countries? Should military delegations be exchanged? Should the two countries accept military attachés from each other after formal diplomatic relations have been established?

Another set of questions will concern the possibilities of the United States sharing information or selling equipment to China that could be militarily useful. Should the United States sell to China, for civilian purposes, technology and equipment that could easily have military uses—for example, computers, jet transports or helicopters? Should Washington make available intelligence information that it knows China would find useful in planning its defenses—for example, information on general Soviet military capabilities and deployments, and possibly on Soviet missile firings? Should it go further and develop channels for sharing certain types of intelligence data exclusively with China?

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Other questions will concern more explicit, though still limited, forms of military cooperation. Should the United States sell to China technological information that is clearly military in its utility but relatively unsophisticated? Should it also make available prototypes of military equipment, or sell limited quantities of equipment? If sales are considered, should they be restricted to items principally useful for passive defense, such as data or equipment useful in communications, satellite reconnaissance, antisubmarine sonar, and early warning radar?

Eventually, questions might be raised about whether the United States should be prepared to sell information or military items that could clearly be used to improve Chinese offensive capabilities, such as technology useful for the development of offensive long-range aircraft or missiles, even though the Russians would obviously view this as extremely dangerous. Finally, if a military relationship develops, questions would probably be raised eventually about whether the United States should be prepared to sell large quantities of equipment of any of the types mentioned to China.

These questions are worth raising if for no other reason than to highlight the fact that once any direct military links are established between the United States and China, the door may be open to a much more far-reaching military relationship. This obviously argues for caution on the U.S. part about starting down this road. I believe that a prudent and sensible position for the United States to adopt at present regarding U.S.-China military contacts and cooperation would be to firmly close the door to certain possibilities, study certain others without making any moves now to implement them, and indicate that Washington is prepared now to consider, cautiously, only certain very limited steps. At present, the United States should show its willingness to establish contacts to discuss military as well as political and economic problems, if China is seriously interested. It should also, however, make clear to Peking that a primary U.S. consideration in whatever it does is its desire to avoid actions that might significantly increase tensions or destabilize big-power relations in East Asia.

Under present circumstances, the United States should firmly close the door to sales to China of any equipment or technology that is useful above all for advanced offensive weapons systems, and also to large-scale sales of military equipment of any sort. The repercussions of making such sales—in the Soviet Union, Japan and elsewhere—would be such as to make them unwise, even though they might do no more than reduce China's military infe-

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riority. Moreover, the present state of U.S.-China relations, and uncertainties about the future of the relationship, are such that sales of this sort are simply not justifiable.

The United States can leave open, however, and study further the possibility of exchanging intelligence information bilaterally; if such exchanges are considered, however, they should be restricted to information useful primarily for defensive and not offensive purposes (a difficult line to determine). Another possibility that need not be totally excluded at this point, although it would have more far-reaching consequences and risks and obviously could not be undertaken lightly, would be providing data, and possibly prototypes, for military items useful for improving China's passive defense systems. One can also imagine circumstances in which the United States might also wish to consider selling to China limited quantities of relatively unsophisticated conventional military hardware, which could enhance its defensive capabilities without significantly increasing its anti-Soviet or anti-U.S. offensive potential (another difficult-to-draw line).

Today a careful balancing of the pros and cons of taking such steps argues against them, in my view, but the calculus of benefits and costs could change, and the United States need not foreclose the option of considering such steps at some point in the future. They would be aimed at helping China improve its passive defense capabilities, without unduly enhancing its offensive military capabilities. They should only be seriously considered, however, if the United States were satisfied that the trend in its relations with China was toward continued improvement, thereby minimizing the risk of future U.S.-China conflict; that Peking was prepared to be less provocative in its dealings with Moscow, thereby reducing the risk of Sino-Soviet conflict; and that Washington could convince the Russians that China's strengthened defense would not create a serious military threat to the Soviet Union.

The caution that should govern American sales of military hardware to China need not apply to the same extent to U.S. allies in Europe. Britain, Germany, France, and conceivably even Japan may make sales of items such as defensive fighter aircraft, which the United States should not oppose even though it restricts U.S. sales of similar items. European sales would involve fewer risks of destabilizing relations with Moscow (although neither the United States nor the other members of the North Atlantic Treaty Organization should assume that there would be no risks at all involved). During the past two years China has purchased some military items from Europe, and the U.S. government has, in effect, given tacit

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approval to such sales.[12] This is a sensible policy under the circumstances of today.

The principal step that the United States itself should consider in the near future is a very limited one; namely, the establishment of direct contacts between American and Chinese military personnel. There clearly would be value in initiating discussions between military officers, and after the establishment of diplomatic relations in exchanging military attachés. (The United States, China and the Soviet Union all routinely develop contacts of this kind with adversaries as well as friends.) In addition, Washington should seriously consider the possibility of publicly releasing intelligence data—for example, data that it obtains from satellites—that are already available to Moscow but not to Peking and that would be useful to China in a defensive sense. And the United States should follow a policy that minimizes security restrictions on technology and equipment that are on the borderline between civilian and military use and that would therefore permit the sale of certain types of computers, transport jets, helicopters, and the like. (Even the Soviet Union has continued to sell transport jets and helicopters to China, despite the intensity of the Sino-Soviet dispute.)

VI

To sum up, the keynote of any U.S. approach to the establishment of direct military relations with China at present should be caution. Washington should view sympathetically China's problem of improving its defense capabilities in the face of the Soviet Union's vastly superior military power, and it should actively throw its political weight into the balance to help deter any Sino-Soviet

[12] In December 1975 after long negotiations with British Rolls-Royce representatives the Chinese received a license to manufacture the Spey engine (*The Washington Post* and *The New York Times*, December 15, 1975). The engines can clearly be used for defensive military aircraft; yet Britain gave no indication that it intended to ask COCOM (the intergovernmental coordinating committee through which the major non-communist nations have coordinated trade policies affecting strategic items) for permission to make an agreement, nor did the United States appear to try to block its implementation.

Shortly thereafter, West Germany's Messerschmitt-Bolkow-Blohn group was reported to be negotiating a licensing agreement for the manufacture in China of its B-105 helicopter (*U.S.-China Business Review*, January–February 1976, p. 52).

On December 28, 1975, *Sankei*, a leading Japanese newspaper, reported that the Chinese were showing a strong interest in purchasing Japanese-manufactured US-I amphibious patrol and sea rescue planes (*Daily Summary of Japanese Press*, January 8, 1976, p. 32). The paper commented that such a sale would be "a breakthrough for our country's export of weapons"; no agreement had been reached, however, and strong opposition was expected both in and out of the government.

The Chinese have purchased some French helicopters. There have been reports of their interest in purchasing (and possibly licensing for manufacture) the French Mirage fighter; in January 1976, however, in conversations with French officials at the Foreign Ministry in Paris, I was unable to obtain official confirmation of this.

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military conflict provoked by either side. But the United States cannot ignore the extreme sensitivity of the U.S.-China-Soviet military triangle and should avoid actions that might have destabilizing effects on existing relationships. It must not ignore possible repercussions elsewhere in Asia, especially in Japan, and it should consult closely with Tokyo on these as on other major policy issues.

Even though the United States can now, without undue risks or costs, consider establishing military contacts with China, pursuing a liberal policy on technology transfers, and maintaining a tolerant position on European military sales to China, it should not itself engage in direct sales of purely military technology or hardware to Peking. We need not completely close the door to sales in the future of technology and hardware useful primarily for passive defense systems. But all in all, the issues in this field are so complex and sensitive that precipitous steps should be avoided.

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Jonathan I. Charney

LAW OF THE SEA: BREAKING THE DEADLOCK

The negotiations at the Third United Nations Conference on the Law of the Sea, aimed at concluding a comprehensive and universally acceptable Convention on the Law of the Sea, are deadlocked over three critical issues: the legal status of the agreed 200-mile economic zone, a regime for exploiting the resources of the deep seabed, and the rights of landlocked and geographically disadvantaged states. Five arduous sessions of the Conference have produced a negotiating text that promises agreement on other issues of considerable importance to the United States as well as to other nations. However, the achievement of a convention consolidating these gains turns upon the resolution of the deadlocking issues.

This article argues that reasonable compromise on the three crucial deadlocking areas is indeed feasible, and that failure to achieve agreement will have consequences that would be serious and potentially disastrous in two respects: first, there would be a renewed wave of unilateral claims and actions respecting the oceans themselves, which could readily lead to outright conflict and certainly to serious friction; and second, a failure in this test case of the possibility of universal negotiation can only cast a very dark shadow indeed on other negotiations aimed at resolving problems that exist between the developed and the developing countries.

II

The present Conference has its origin in the efforts of the United States and the Soviet Union in the early 1960s to protect their strategic interests in transiting the oceans, particularly international straits. In the late 1960s and early 1970s, the preliminary negotiations took on a more internationalist and humanitarian hue

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as the Ambassador from Malta, Arvid Pardo, presented his world view of an international ocean regime, and the United Nations, in a formal Resolution, dubbed the deep seabed the "Common Heritage of Mankind."[1] Subsequently, the economic issues in this negotiation have become increasingly linked to the broader objectives of the Group of 77 developing nations—actually now exceeding 110—and to their efforts to give flesh to the "New International Economic Order."

Thus, on the seabed issue in particular, there is a marked North-South character to the opposing sides. On the other hand, the variety of issues and interests involved in the Conference is such that there are many other lines of cleavage on different issues, involving maritime states, coastal states, those with little or no access to the sea, and finally the traditional regional groupings found in the United Nations. It is hardly surprising that a complex negotiation involving three Committees and one Plenary, all negotiating in parallel, should have taken so long and remain incomplete.[2] Yet the session of the Conference scheduled for the spring of 1977 may be the last clear chance to reach agreement; if the disagreements should persist, the Conference is likely to break down.

The negotiations have been conducted on the assumption that the results will be a "package deal." Thus, no final decision on any issue will be taken until all parts of the treaty are acceptable to the Conference by consensus or, if necessary, by an affirmative vote of two-thirds of the representatives present and voting.

A four-part document, entitled the "Revised Single Negotiating Text," and containing about 500 draft articles of the Convention and Annexes, represents the tangible product of the negotiations so far. The vast majority of these are acceptable to a consensus of the Conference and to the United States, and they already reflect—as might be expected—a great many trade-offs and informal or tacit understandings and commitments.[3]

The three deadlocking issues were already visible prior to the negotiating session last summer in New York. With the possible

[1] For a fuller summary of the background to the Conference and a discussion of the issues as they stood in early 1976, see John Temple Swing, "Who Will Own the Oceans?" *Foreign Affairs*, April 1976, pp. 527–46, especially pp. 527–31.

[2] The First Committee is the forum for negotiation of a deep seabed regime, the Second Committee for the main boundary, transit and resource management issues; and the Third for the marine environment, scientific research and transfer of technology matters. The Plenary has responsibility for the preparation of texts concerning a compulsory dispute settlement system, and of preliminary and final clauses to the Convention.

[3] The Negotiating Text is in U.N. Document A/CONF.62/WP.8/Rev. 1/Parts I-III and A/CONF.62/WP.9/Rev. 2, which contains Part IV. Later references to specific Articles and Annexes refer to this Text.

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exception of the landlocked and geographically disadvantaged states issue, no progress was achieved then despite considerable effort. The issues run deep and can only be resolved by major political decisions by all interested parties, the United States perhaps most of all. And last summer was not the best time for American policymakers to think and act on the necessary scale.

III

A zone of national jurisdiction for all nations, extending no less than 200 miles from shore, is now inevitable. The Revised Negotiating Text, in providing for a 200-mile zone, reflects what had essentially become a fait accompli as a result of the avalanche of claims in recent years, running to approximately this extent. In the spring of 1976, the United States joined in this tide by an act of Congress claiming such a zone in order to control foreign fishing within 200 miles of our coasts; since then, other major nations have announced their intent to claim such zones regardless of the outcome of the Conference.[4]

The critical unresolved issue, however, concerns the scope of "national jurisdiction" in the zone. One group of nations, most of them South American, asserts that such jurisdiction should be total, making the zone in effect a territorial sea in which other nations enjoy only subordinate rights of navigation, overflight and communication. On the other hand, maritime countries that use and fly over the seas extensively want to limit coastal state jurisdiction to a right to exploit the living and nonliving resources in the zone. They would limit the territorial sea to 12 miles and would define the remainder of the 200-mile zone as part of the high seas, subject only to certain economic rights of the coastal state. A popular middle position, now embodied in the Revised Text (Part II, Articles 44, 46 and 47), would classify this area as *sui generis*, neither high seas nor territorial sea, subject to "national jurisdiction" but with the freedoms of navigation and overflight and the right to lay cables and pipelines protected.[5] The last session of the Conference failed to produce any new proposals for settlement of the issue.

[4] The American law is the Fishery Conservation and Management Act of 1976. It takes effect March 1, 1977. A summary of all national claims as of late 1975 is found in *National Claims to Maritime Jurisdiction*, U.S. Department of State, 3rd Rev., December 23, 1975. Other nations that have subsequently announced their intent to make similar claims include Canada, Denmark, the Federal Republic of Germany, France, Guatemala, India, Norway, Pakistan, South Africa, Sri Lanka, the U. K., and the U.S.S.R.

[5] See Introductory Note of the Chairman of the Second Committee to Part II, the Revised Single Negotiating Text, p. 4, and United States Delegation Report, Third United Nations Law of the Sea Conference, New York, August 2–September 17, 1976, p. 9. This Delegation Report is an unclassified summary of the status of the negotiations.

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One can identify four interests that the United States, generally in company with other highly developed countries, including the Soviet Union, has sought to protect in this part of the negotiations. First, these maritime nations frequently conduct naval and aircraft activities within 200 miles of other nations' shores (for example, the United States and the Soviet Union in the Mediterranean and the Gulf of Mexico); in the past, such activities—in peacetime and even in war (outside territorial limits)—have been regarded as a freedom of the high seas, and it is the present position of these countries that no convention which does not guarantee the high seas status of the sea beyond 12 miles will protect this interest. They reject the middle (or *sui generis*) position on the ground that it might be construed to vest important "residual" or unspecified uses of the zone in the coastal state. The problem is that although specific treaty language could conceivably be drafted to protect this military interest, the smaller nations (mostly in the developing category) strongly oppose any open recognition of a right to conduct military activities in the zone. In fact, this interest is only discussed privately, and it has been hard to bring the issue out into the open.

The second interest of the maritime states, protecting commercial navigation from undue coastal state interference, seems adequately protected in the current text. It is conceivable that the recent spate of oil spills and other accidents to shipping operating in the coastal waters of the United States could lead to a reopening of the issue. This could produce more extensive assertions of coastal state rights to lay down safety and other standards.

The third of the "maritime-coastal" issues—and the one that has caused the most extensive controversy—concerns freedom to engage in scientific research within the 200-mile zone. All parties agree that at present, and for the foreseeable future, the most important areas of marine scientific research will be within 200 miles of coastlines, and that a significant number of such studies will require transit through more than one zone, since fish schools, geologic structures and currents cross multiple zones. Hence, a regime that imposes the requirement of single-state and especially multiple-state consent to conduct research activities presents the risk of substantially impairing marine scientific research.

The United States has taken the lead in arguing that freedom of scientific research will produce results of benefit to all nations, and has been joined by almost all major Western nations; the Soviet Union had originally supported this position but has recently backed off. In practical terms, the United States is willing to accept

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provisions requiring the researcher to give prior notification to the coastal state, to disclose the results of the research to the coastal state, and to permit the coastal state to place representatives on board the research ship. However, the American view would permit coastal state rejection of a research activity only when the coastal state determines that the activity has direct application to the profitable exploitation of resources within the zone, and if such a determination is disputed, the question must be subject to compulsory third party dispute settlement.

The opposing side on this issue has brought together a coalition of coastal states and other developing states, since the advanced industrialized states tend to be the researching states, and it is presumed that the direct benefits of research accrue primarily to the researcher. It is the contention of the coalition that researching states may take undue economic advantage of their discoveries in coastal areas; they also wish to control access to the information, maximize their benefits through technology transfer and fees, and guard against covert military activities. Hence these countries reject the "resource-related" criterion proposed by the United States and demand the right to refuse access altogether at their own discretion.

So far, efforts to devise a workable basis for distinguishing resource-related and non-resource-related activities have not been successful, and the opposing sides thus remain sharply divided. Within the United States, the scientific community is generally quite concerned to maintain the maximum possible freedom, and has supported the firm position taken by the U.S. Delegation.[6]

Fourth, the argument is made that new and important needs and uses of the 200-mile zone may develop in the future, just as the recent past has seen the development of new uses of the seabed, including continental shelf and deep seabed mining and the use of passive submarine detection devices. If the 200-mile zone continues to be regarded as high seas, the United States—the argument runs—will have a better opportunity to take advantage of these uses when and if they arise. In addition, the status quo is more flexible. If the treaty allocates residual rights to the coastal state, such control may never be divested. However, if it becomes desirable, a grant of particular rights to the coastal state at a future date can be readily accomplished.

[6] See, for example, Conrad H. Cheek, "Law of the Sea: Effects of Varying Coastal State Controls on Marine Research, A Survey of the U.S. Ocean Science Community," *Ocean Development and International Law*, Summer 1973, pp. 209–19; "Ocean Researchers See A Threat in Law of the Sea Conference," *The New York Times*, August 30, 1975, p. 7; D. Shapley, "Sea Law Treaty: Amid U.S. Gains, the Prospects for Science Are Sinking," *Science*, June 4, 1976, p. 980.

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Thus, the legal status of the 200-mile zone raises extremely difficult issues in which the United States is very much to the fore, especially on the questions involving military access and freedom of scientific research.

IV

The second major dispute, on a legal regime for the deep seabed, concerns putative riches and firmly held principles. The latter may be the more important.

In what is called "the Area," beyond the limits claimed by coastal states, by far the most glamorous resource now known consists of the large amounts of manganese, copper, cobalt and nickel contained in potato-sized manganese nodules located on the abyssal plain of the ocean, with the currently most interesting area between the Hawaiian Islands and Mexico. Neither commercial production nor full-scale prototype mining of these nodules has yet taken place, and it is not clear whether the cost of deep seabed mining will be competitive with land-based production.[7]

Although the United States and some other developed countries continue to maintain that unilateral exploitation of these nodules can be considered an exercise of the freedom of the high seas, the General Assembly has passed a series of resolutions declaring these resources the common heritage of mankind and specifying that a new legal regime must be established before they may be developed. Although a significant motivation for passage of these resolutions came from the internationalist ideas expressed by Ambassador Pardo, more concrete interests are involved as well. The land-based producers of these metals, notably although not exclusively from the developing world, seek to avoid costly competition, while the larger Group of 77 wishes to obtain a substantial share of the benefits of deep-sea mining as well as greater control over international economic decision-making in a potentially important and precedent-setting area.

Negotiations in the First Committee have now progressed to the point where perhaps 95 percent of a text containing 63 articles and four annexes would be acceptable to the Conference if the remain-

[7] Information on the state of deep seabed technology is found in a National Academy of Sciences Report, *Mining in the Outer Continental Shelf and in the Deep Ocean,* 1975, pp. 69–102. See also *Economic Implications of Seabed Mineral Development in the International Area: Report of the Secretary-General,* U.N. Document A/CONF.62/25 L.O.S. III O.R. Vol. III, p. 4 (1974); *Ocean Manganese Nodules,* Report of the Congressional Research Service, prepared at the request of Henry M. Jackson, Chairman, Senate Committee on Interior and Insular Affairs, 1975; *Ocean Mining: An Economic Evaluation,* Ocean Mining Administration, U.S. Department of the Interior, May 1976; *Deep Seabed Hard Minerals Act,* Report of the Committee on Interior and Insular Affairs, No. 754, U.S. Senate, 94th Cong., 2nd sess., 1976.

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ing critical issues were resolved. Specifically, the Revised Negotiating Text contains very detailed provisions for the structure of an international "Authority" which would provide the legal framework for mining of the Area. Although certain critical points concerning these organs are a matter of dispute, the Text provides for an Assembly, Council, Dispute Settlement Tribunal, important functional Commissions and a Secretariat (Part I, Articles 24–45). And the developed countries have agreed that an organ of the Authority called "the Enterprise" would have independent power to exploit the seabed directly (Part I, Article 41 and Annex II).

Moreover, the Text provides assurances against claim-jumping and for the establishment and supervision of various regulatory functions typical of any mineral production industry. The proposed international regime would prevent the development of "flag of convenience" type nations that could adopt their own environmental standards permitting seabed activities that would pose dangers to the marine environment.[8]

The Negotiating Text also provides for the sharing of revenues from deep seabed mineral production, particularly for the benefit of the developing countries (Part I, Articles 9 [6], 26 [2x] and 49), thus meeting one of their major demands in a way possible only through a multilateral convention. Similarly, the Text contains transfer-of-technology provisions benefiting developing countries, as well as standby protections for land-based producers (Part I, Article 9). And by filling the current legal vacuum with a legal regime, the Text produces the valuable side benefit of foreclosing future national claims of jurisdiction that could further erode important high seas freedoms.

On all these issues, great progress has been made. The deadlock, however, persists on the central question of control over access. Some developed countries, with the United States in the lead, are seeking assurances that their state or private companies will have a long-term opportunity to mine the nodules profitably. And they fear that the effort by the Group of 77 to limit access to the enterprise and to obtain control of the decision-making organs of the Authority may mean that mining operations would be held hostage to wider political and economic demands of the Group.

Although the United States has not adopted the position that production of these metals is needed for military security, both the Ford Administration and key members of Congress have argued

[8] For a comprehensive review of the environmental issues raised by deep ocean mining see R. Frank, *Deep-sea Mining and the Environment*, A Report of the American Society of International Law Working Group on Environmental Regulation of Deep-sea Mining, 1976.

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that free access is important, if not critical, to a goal of making the United States as independent as possible of foreign sources of raw materials. Hence, the U.S. position at the negotiations has been that a regime for the deep seabed must provide for virtually automatic and unlimited access for any state, or private entity sponsored by a state, which has the technology and capital.

With the conspicuous exceptions of Norway and perhaps Sweden, almost all the highly industrialized countries generally support the American position that access should not be subject to political control. However, many in this same group of developed countries part company with the United States on whether there should be controls on the basis of economic criteria, specifically whether the rate of seabed development and the proportion of the seabed that any one nation can exploit should be controlled under the Convention. Canada and Australia (concerned, like many developing countries, to protect their own land-based production) appear to favor limits on the rate of development, while others, notably including France and the Soviet Union, favor anti-monopoly provisions, apparently in order to assure that exploitable areas are available to their industry when they develop the technology. The United States has adamantly resisted any meaningful proposals along either of these lines, although it has acquiesced in a specious interim limit on development keyed to nickel production (Part I, Article 9.4 [iii]).

In line with its basic position, the United States at first proposed that access should be virtually automatic upon application, subject only to a very limited discretion of the Authority's technical organs, on specific grounds reviewable by the compulsory dispute settlement system. More recently, however, the United States has come to accept that the Council of the Authority (*not* the Assembly) should have certain broad powers, including the negative power to deny applications for access. However, under the most recent American proposals, voting in the Council would be weighted in such a way as to give a small number of Western developed countries the power to block a Council vote to deny an application.[9] In short, the U.S. position would add up to the developing countries being powerless to control the granting of applications.

[9] The U.S. voting proposal, informally distributed at the 1976 summer session, would have approximated the traditional format for commodity agreements, basing voting power on each country's production and consumption of the relevant metals. Under such a formula, it should be noted, not merely developed countries but other potential combinations of large producers or consumers, developed or developing, would have the veto. U.S. Delegation Report, *supra* note 5, p. 5; see also Law of the Sea Status Report of Congressmen McCloskey and Gilman, *Congressional Record*, September 29, 1976, p. 149 (daily ed.).

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In contrast, the caucus of over 110 developing countries in the Group of 77 envision the Authority as a sovereign with respect to the resources of the deep seabed, with the right to exploit these resources as it deems appropriate in accordance with the will of the majority of states. The most extreme among the developing countries, such as Algeria, Kuwait, Mozambique, Morocco, Libya and India, would give ultimate and unrestricted power over "Activities in the Area" to the Assembly rather than to the Council, with voting on a one-nation-one-vote basis. In addition, these countries would like the Enterprise to be the dominant, if not exclusive, exploiter of the deep seabed.

As between these two extreme positions, the Revised Negotiating Text reflects an attempt to compromise, so far satisfactory to neither. (Indeed, even the use of the present Text as a basis for discussion was sharply challenged by the Group of 77 right through the session in New York last summer.) Although the present Text is far from meeting the U.S. position, it does reflect substantial changes, in favor of the developed countries, from the 1975 Geneva draft.[10] Substantial emphasis is placed on the role of the Technical Commission of the Authority in reviewing applications for access, and even the ultimate powers of the Council are implicit rather than clearly spelled out (Part I, Article 28 and Annex I, para. 8). If one assumes, however, that a power to approve or deny applications is included in the generally broad powers given to the

[10] Part I of the Text is a complex document that makes an analysis of the control issue very difficult. Although it is filled with policy statements that appear to give the Authority much discretion, the more technical language appears to restrict that discretion severely. It provides for a parallel system of exploitation under which state and private exploiters may make application with state sponsorship to exploit either of two tracts that the applicants identify (Part I, Annex I, para. 8.d). The Authority is to award one tract to the applicant and the other is to be banked for future development by the Enterprise and, perhaps, developing countries. If there are no competing applications for the tracts and the applicant satisfies certain uniformly applied requirements, the Authority is required to enter into negotiations for a contract to explore and exploit a tract and "shall conclude a contract" (Part I, Annex I, paras. 5–9). The Text does not explicitly state which organ is to conduct the negotiations or approve the contract, although an analysis suggests that the Technical Commission conducts the negotiations and the Council ultimately approves the contract and all plans of work (Part I, Articles 28 and 31). The Technical Commission is composed of experts in relevant fields chosen by the Council (Part I, Articles 29.1 and 39.1). Although the Assembly has the power to set general policy of the Authority (Part I, Article 26), many of the more important policies are already contained in the text (Part I, Articles 7-22). And it is the Council that exercises control of "Activities in the Area" to the exclusion of any other organ of the Authority (Part I, Articles 24.4 and 28.2 [x]).

Thus, in order to exploit the nodules, it appears that the applicant must obtain an affirmative decision of the Council. The composition and voting arrangements of the 36-nation Council have not been changed since the issuance of the 1975 Geneva Informal Single Negotiating Text, and the negotiations have not refocused on that article. It provides that the membership is to be chosen by the Assembly (composed of all member-nations) with the allocation of seats based on technological development, economic development and geographical distribution (Part I, Article 27.1). See Jonathan I. Charney, "The International Regime for the Deep Seabed: Past Conflicts and Proposals For Progress," *Harvard International Law Journal*, Winter 1976, p. 15.

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Council, then its composition is so contrived that affirmative approval of any application would require not only the votes of developed countries but those of a significant number of developing countries as well (Part I, Article 27). In fact, it appears that the developing country members of the Council would have enough votes to authorize exploitation in the face of developed country opposition. However, complaining states and injured applicants would have the right to contest decisions alleged to violate the Convention in a proceeding before the dispute settlement organ (Part I, Article 33 and Annex III, para. 17).

Throughout most of the summer session of the Conference in 1976 neither side gave ground. As a result, the discussions in Committee I were primarily limited to procedural debates, and to the kind of non-substantive rhetoric last heard three years before at the first substantive session of the Conference in Caracas in 1974. In fact, it appeared that the United States had hardened its position. On the other hand, late in the session Secretary Kissinger made at least a gesture, indicating that the United States would be willing to negotiate assurances that the exploiting arm of the Authority, the Enterprise, would have the financial resources necessary to commence operations, and would also have access to relevant technology. At the same time, he continued to assert that private and state companies should have a parallel right to exploit the resources under a system that would not discriminate against them—the so-called parallel system.[11]

Although the reactions to the Secretary's proposals were encouraging, they failed to break the deadlock, and there was widespread comment that the Conference was doomed to fail on this issue. Hence, the President of the Conference, Hamilton Shirley Amerasinghe of Sri Lanka (now the President of the U.N. General Assembly), obtained the agreement of the Conference that it would devote the first three weeks of the next session primarily to the regime of the deep seabed, with heads of delegations expected to conduct the negotiation. Subsequently, an intersessional meeting was scheduled for Geneva, to begin in late February.

V

Finally, the Conference has not been able to resolve the problem of over 50 landlocked and geographically disadvantaged states.

[11] Statement of the U.S. Delegation on Secretary of State Henry A. Kissinger's Participation in the Law of the Sea Conference, Wednesday, September 1, 1976, Press Release USUN-98 (76); U.S. Delegation Report, *supra* note 5, pp. 5–8.

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The caucus of this group met regularly during the Conference sessions as early as the 1975 Geneva meeting, although efforts to develop the group as a political force actually preceded the Conference. These nations were initially viewed as a potential source of pressure to maintain high seas freedoms because they had little or nothing to gain by increased zones of coastal state jurisdiction. As it turned out, however, they developed into a political force too late to prevent the establishment of a 200-mile economic zone. Thus, at present they are limiting their efforts to obtaining access for the group to the economic zones of neighboring states for the purpose of exploiting the resources therein and to gaining other preferences, particularly a greater share of the revenues from seabed exploitation. In addition, some of the group are strongly seeking improved access to the sea for the landlocked states.

Since final decisions by the Conference must be taken by a minimum two-thirds vote, this group has the power to block any Convention. The coastal states, seeking to retain the advantages of a 200-mile zone, have resisted making significant substantive concessions to the group, although hortatory provisions in their favor are included in the Text, particularly favoring the developing countries within the group. Specifically, the Text guarantees to landlocked developing states and to geographically disadvantaged developing states the rights to "participate on an equitable basis" in exploitation of the economic zones of certain neighboring states (Part II, Articles 58 and 59). The vagueness of this standard, however, seriously reduces the significance of these rights. Similar vague provisions are found in the deep seabed portions of the Text (Part I, Article 18).

Up to now, the United States has taken the position that it has little direct interest in this issue. Whether this perception is correct will, of course, depend on the definition of the relevant regions and members of the geographically disadvantaged group. It is possible, for example, that some Caribbean or Central American states could be given access to the United States' 200-mile economic zone.

Toward the end of the last session of the Conference, private negotiations between the landlocked and geographically disadvantaged states and a group of developed and less-developed coastal states seemed to be making progress on these issues. Perhaps a breakthrough is possible early in the next session of the Conference.

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VI

From the discussion above, it should be clear that the remaining deadlocked matters raise critical issues for the interested countries, settlement of which cannot be cost-free. Whether further concessions ought to be made to reach a settlement is the question that must be under review in the governments of virtually all participating nations. Such an analysis calls for at least three perspectives. First, the issues apparently resolved at the Conference must be weighed to determine the importance of retaining the progress made on those issues; second, the costs involved in settling the deadlocking issues must be evaluated; and third, the wider impact of a failure of the Conference must be reviewed. From the discussion that follows, it will appear that within foreseeable limits the costs of failure of the Conference exceed those that might be necessary to produce a widely acceptable Convention on the Law of the Sea. This conclusion seems to be particularly true from the U.S. perspective.

First, how important is what has been settled—and how much of it could come unstuck without an agreed convention? Obviously a detailed review of all the subjects acted on by the Conference is not possible here. Rather let us consider the highlights, divided from the perspective of the previous traditional law of the sea into three categories: subjects virtually unchanged, those that have evolved in the course of the negotiations into new customary law, and third, those subjects that could not become accepted law without the entry into force of a convention.

The first category includes general rules for the delimitation of the baseline for measurement of the territorial seas—although the area of the high seas may change—(Part II, Articles 2–13); rights in the continental shelf (Part II, Articles 65–69); access to the sea by landlocked states (Part II, Articles 109–117); and the delimitation of boundaries between opposite and adjacent states (Part II, Articles 14, 62 and 71). Entry into force of the Convention with respect to these subjects would principally provide only the benefits of codification.

Of greater weight are those matters that have changed over the period of the negotiations, either through the process of negotiation or through the actions of nations, to the point where new rules have taken hold and been accepted as law without regard to entry into force of a convention. In the nature of many subjects, the claim of a right combined with, perhaps, the exercise of power

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pursuant thereto makes it almost impossible for other countries to mount significant resistance.

A 12-mile territorial sea and a 200-mile "Exclusive Economic Zone" for all coastal states have now attained this status (Part II, Articles 2 and 45). In the territorial sea the coastal state is to have sovereignty, subject only to the rights of innocent passage. And in the 200-mile zone the coastal states will dominate, if not completely control, natural resource exploitation (Part II, Article 44). The acceptance of these new limits represents a dramatic shift from previous customary international law which, until recently, limited all such zones to 12 miles. It also represents the final demise of the doctrine of the three-mile territorial sea.

The acceptance of virtually total resource control in the 200-mile zone reflects one specific defeat that the United States and perhaps the world incurred during the period of the negotiations. With increasing pressure on ocean fishery stocks, the need had arisen for measures to assure the optimum yield of living resources. With new techniques and mobility, overfishing was becoming rampant, despite piecemeal control efforts through bilateral and limited multilateral agreements.

In an attempt to develop a comprehensive rational regime for the management of the living resources of the oceans—and also to limit the expansion of national fisheries jurisdiction claims—early in the preliminary negotiations the United States proposed a species-oriented management scheme. Management control and the right to exploit the fish would have depended on the characteristics of the species, the area over which the species traveled during its life cycle, and the methods by which the species is captured. Although the U.S. proposal was sensibly framed and argued, it became clear in the 1974 sessions that it simply did not have adequate support. The Revised Negotiating Text thus gives the coastal state exclusive management control over fishing within its 200-mile zone regardless of species (Part II, Articles 44, 50–56).[12] Licenses to fish will be issued on a state-by-state basis, and management control will depend on the location of the fish. Even the accompanying provisions of multilateral and bilateral fishery man-

[12] Ambiguous language in the text seems to imply a slightly different situation for anadromous (e.g., salmon) and catadromous (e.g., eels) species. Although fishing of anadromous fish is limited to the exclusive economic zone and the state of origin is given the primary responsibility for management, other states can exploit these fish when they are found in their zones—subject only to the obligation to cooperate with the state of origin (Part II, Article 55). In contrast, one part of Article 56 seems to limit the harvesting of catadromous fish to waters within the 200-mile exclusive economic zone limit of the state in which the fish "spends the greater part of its life cycle." However, another provision requires agreements on "management, including harvesting," between that state and foreign states when catadromous fish migrate through the "waters" of those foreign states. Even if the "nationality" of those fish could be determined, the implication is strong that this species-specific language would really not change the basic situation. See also Swing, *supra* note 1, pp. 538–40.

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agement agreements appear to be merely hortatory, particularly since many coastal states seem unwilling to accept compulsory dispute settlement for this issue (Part II, Articles 50–57, 104–109; Part IV, Article 17).

Under the Revised Negotiating Text, the U.S. distant water tuna fishing industry as we know it today may be sacrificed because of the difficulty of obtaining multiple licences. On the other hand, the coastal fishing industry of the United States would benefit. Although compulsory procedures for disputes over foreign fishing within the exclusive economic zone are still being sought, chances for success are slim. The opportunity to create an international management system based on the biological characteristics of the fish has been lost, and new bilateral or limited multilateral negotiations seem a long way off. Indeed even those agreements that now exist—as between Japan and the United States over Pacific salmon—may now be harder to renew.

A second change in the law that is embodied in the Convention but will occur regardless of whether or not a convention comes into force is acceptance of a right of archipelagic states to draw straight baselines between the islands of the archipelago to delimit national waters (Part II, Article 119). Previously, the right to draw such baselines between islands was presumed by many to be limited to coastal islands. However, the claims and actions of archipelagic states have now made the change irreversible.

Third, the present Negotiating Text reflects what appears to be emerging international agreement concerning the seaward limits of the "continental shelf"—a traditional concept under which (before any talk of "economic zones") coastal states had been able to claim the right to explore and exploit the resources of the adjacent ocean floor ranging out to a depth of roughly 200 meters. A 1958 Convention on the Continental Shelf had given coastal states such resource rights beyond that limit up to the limits of "exploitability" of the resources of the adjacent seabed. However, in practice this test has proved almost unworkable, and it now appears that the problem will be solved by substantially expanding the geological area to be considered "continental shelf." For many coastal states which have shallow waters extending for distances well beyond 200 miles from their coasts—such as Argentina, Australia, Canada, India and the United Kingdom—the area of their resource control will in practice be substantially increased.[13]

[13] See Swing, *supra* note 1, pp. 528–30, for a careful diagram of the Continental Shelf and of the Continental Margin. The issue is explained in more detail in the U.S. Delegation Report, *supra* note 5, pp. 10–11, and a comprehensive analysis of the impact of various boundary limits, in terms of resource discovery, is in "Preliminary Report of the Working Group on Potential Hydrocarbon Resources of the Continental Margins," U.S. Interagency Task Force on the Law of the Sea, February 12, 1975.

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It may appear that since these three changes—all expanding national claims to sea areas—have already been generally accepted, the only role of an agreed convention would again be the mechanical one of codification. However, this is not the case, for where the temptation to unilateral claims has shown itself to be great, it may be all the more important to call a halt and seek to stabilize the situation. And this is particularly to the benefit of states whose interest in the use of the oceans equals or exceeds any interests they may have as coastal states.

Thus, the Negotiating Text would prevent a future expansion of the 200-mile zone and of the regime of the continental shelf. (Part II Arts. 45 and 64). The Text also sets limits on the number and length of archipelagic baselines that may be drawn and protections for navigation within the waters so enclosed (Part II, Article 119). Even in areas where the international law of the sea is ready to change by custom, the Text would provide a stability and limits to national claims helpful to many nations, including the United States.

Finally, there is the class of subjects on which the law would be substantially affected by entry into force of a near-universal convention on the law of the sea. Progress in these areas has been possible only through the give-and-take of the negotiation process. Furthermore, many of the solutions to these issues can be implemented only through a multilateral agreement. And in many areas, as we have seen, an agreed convention has become important precisely to deal with intervening changes in customary law and accepted practice.

Perhaps the most critical objective and apparent major success of the United States and other maritime states, including the Soviet Union, has been agreement on ship and aircraft transit. The accepted 12-mile limit for the territorial sea and the new 200-mile economic zone have threatened traditional military and commercial mobility in the oceans, with many maritime nations believing that the traditional doctrine of innocent passage provides insufficient protection in such expanded territorial seas or other zones of national jurisdiction.[14] Unfortunately, the innocent passage doctrine, as most authoritatively articulated in the 1958 Convention on the Territorial Sea and the Contiguous Zone, is unclear whether the test of innocence is to be applied by the coastal state on the basis

[14] U.S. Delegation Report, *supra* note 5, pp. 9–10; Testimony by John Norton Moore, Chairman of the NSC Interagency Task Force on the Law of the Sea, *Hearing on Law of the Sea Conference*, Subcommittee on Oceans and International Environment of the Senate Committee on Foreign Relations, 94th Cong., 1st sess., May 22, 1975, pp. 21–23.

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of objective factors, or is a matter of discretion. Furthermore, the 1958 Convention gives the straits state the right to suspend such passage temporarily for security reasons.[15] As territorial seas are broadened, more shipping will have to rely on this uncertain protection.

Moreover, the right of innocent passage applies only to ships, not to aircraft. The expansion of the territorial sea to 12 miles would place straits such as Gibraltar and Malacca, commonly used for overflight, within the regime of the territorial sea, so that overflight would become subject to the consent of the coastal state.[16]

An even greater problem would arise if the establishment of straight baselines around archipelagos were to be developed under customary international law rather than more explicitly by treaty. Without the safeguards built into the Negotiating Text (Part II, Articles 121–125) the areas within the archipelagos might be assimilated into internal waters, and no ship or aircraft transit legally permitted without coastal state consent.

The Revised Negotiating Text would produce more satisfactory results on these transit questions than the results likely in the absence of a convention. Access both through and over straits of territorial sea used for international navigation has been protected by the creation of a new right of "transit passage" (Part II, Articles 36–42), with a similar right in the case of archipelagos (Part II, Articles 124–126). And the definition of innocent passage has been expanded and made somewhat more objective by providing a list of observable activities that may be considered "prejudicial to the peace, good order or security of the coastal state" (Part II, Article 18).

It appears that the provisions on these questions will hold if the straits and archipelagic states are not given the opportunity to erode them over an extended period of negotiation. Although these states continue to demand the right to exercise full sovereignty over the inter-island and straits areas, their number is too

[15] Convention on the Territorial Sea and the Contiguous Zone, *U.S. Treaties and Other International Agreements*, Articles 14–20, signed April 29, 1958, Vol. 15, p. 1606. See S. Slonim, "The Right of Innocent Passage and the 1958 Geneva Convention on the Law of the Sea," *Columbia Journal of Transnational Law*, Vol. 5, No. 1, 1966, p. 96; George P. Smith, "The Politics of Lawmaking: Problems in International Maritime Regulation – Innocent Passage v. Free Transit," *University of Pittsburgh Law Review*, Spring 1976, p. 487.

[16] Article 14.1 of the 1958 Convention on the Territorial Sea and the Contiguous Zone only refers to transit of ships. A table listing the widths of selected straits and channels is found in *Sovereignty of the Sea*, U.S. Department of State, Geographic Bulletin No. 3., Rev. 1969, pp. 22–27. A discussion of the impact of those changes from a U.S. security point of view is found in Robert E. Osgood, "U.S. Security Interests in Ocean Law," *Ocean Development and International Law*, Spring 1974, pp. 12–15.

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small to create a major deadlock at the Conference. The compromises reached have provided them with sufficient rights and protections, leaving them with no substantive reason to object to the Convention. In fact, they may have a direct interest in having it enter into force since they may be unable to consolidate all their gains outside of a convention.[17]

In short, an agreed Convention would have major importance in securing transit rights and defining the new claims of coastal, straits and archipelagic states. The alternatives of bilateral negotiation or forced transit by the powerful maritime nations until a right of transit is assured would be extremely costly, if not impossible, because of the number and location of the areas through which the maritime countries would want to assure military and commercial transit. Avoiding such costs is, therefore, in the interest of the straits and archipelagic states no less than of the United States and other maritime states.

In the area of environmental protection, a convention along presently agreed lines would be of more debatable benefit. The recent rash of oil tanker mishaps that included the breakup of the Liberian-flag tanker, the *Argo Merchant*, off Nantucket, have highlighted the need for stiffer standards of secure operation to protect the marine environment, especially with respect to international shipping. The current piecemeal attempts of individual nations, and the limited international agreements that have been primarily produced by the maritime-nation-controlled International Maritime Consultative Organization, clearly are inadequate. While stiffer coastal state regulation is one possible answer, a maximum level of international agreement would be desirable.

Initially, the United States and other countries sought at the Law of the Sea Conference a fairly comprehensive system of standard-setting and enforcement of regulations for the protection of the marine environment. Unfortunately, no powerful group of nations was prepared to press the issue at the risk of other conflicting national interests; in particular, many maritime states, along with the oil-producing countries, fear that aggressive protection of the marine environment may inhibit commerce. However, there has

[17] For example, the Text recognizes not only the right of archipelagic states to draw extensive baselines between their islands but the right to the resources found within the lines as well as 200 miles seaward (Part II, Articles 119–123). And although the text provides for archipelagic transit for foreign ships and aircraft, it recognizes the right of archipelagic states to set sea-lanes, to establish certain environmental standards, and to conduct certain enforcement activities (Part II, Articles 125 and 126). These rights are very likely to be sufficient to protect the substantive interests of the archipelagic states. Similar benefits are accorded the straits states to delimit navigational routes, to set environmental standards, and to enforce those rights or to assure their enforcement (Part II, Articles 39 and 40).

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been general agreement on some aspects of the issue: not only is there a general obligation to prevent, reduce and control pollution of the marine environment (Part III, Article 4), there are more specific provisions for doing so.[18]

Such provisions of the Text do represent modest progress in efforts to protect the marine environment, more than could be readily obtained—at least up to now—through the evolution of customary international law or through bilateral treaties. At the same time they do not appear to impose significant burdens on maritime commerce or on other uses of the ocean.

Yet it can be argued that it would be a tactical mistake from the environmental point of view to see this agreement codified. With concern on the subject once again on the increase, codification might inhibit the development of more forceful measures through future negotiations or through unilateral action which either develops eventually into customary international law or so substantially affects maritime commerce that all maritime commerce would be forced into compliance. The *Argo Merchant* disaster in particular may produce a strengthened U.S. position on this matter at the Conference as well as pressure for unilateral U.S. action.

However, even on the assumption that the eventual text does not represent a major improvement, the benefits of a framework for the imposition of minimum marine environment standards and enforcement mechanisms seem on balance worth having. Perhaps once the framework is established future progress could be made.

The Negotiating Text also provides for the sharing of the revenues produced from portions of the continental shelf, as well as from the deep seabed (Part I, Articles 9.6, 26 [2x] and 49; Part II, Article 70). These revenues would be distributed primarily to developing countries. Although the revenue generated is likely to be far less than many have hoped for, the distribution of these revenues would be of economic as well as symbolic importance to many countries. There is no doubt that the mechanics of such revenue sharing, if not agreement on the principle itself, would be

[18] These include at least a general provision for the establishment of international standards (Part III, Article 21). And in their economic zones, coastal states may, under certain circumstances, establish regulations to prevent vessel-source pollution in clearly defined areas when international standards offer insufficient protection (Part III, Article 21 [5]). Coastal states may also establish laws to control pollution from vessels in ice-covered areas within their economic zones, when there is a threat to the ecological balance (Part III, Article 43). There is also agreement on the obligations of states to establish other standards to control marine pollution from activities under their jurisdiction (Part III, Articles 17, 18 and 22). In the area of controlling vessel-source pollution, a significant advance is that national and international standards may be enforced against violating vessels by states other than the flag state (Part III, Article 30). The Text also requires distribution of environmental impact statements from states which expect their activities to cause significant change in the marine environment or which are currently polluting the environment (Part III, Articles 15 and 16).

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virtually impossible to obtain outside the framework of a multilateral convention.

Similarly, the Negotiating Text provides for the transfer of technology to developing countries in connection with all ocean activities (Part I, Article 11; Part III, Article 12). Although the provisions are extremely modest, it is unlikely that any progress in this regard would be possible outside of a multilateral convention.

Last, and perhaps most significant, the negotiators appear to have agreed to the establishment of a compulsory dispute settlement system which would produce binding interpretations of the Convention. Beginning with an informal dispute settlement working group established during the Caracas session of the Conference in 1974, broad-based support has been building for such a dispute settlement system. A Negotiating Text on the subject has been produced out of informal meetings of the Plenary of the Conference, and it appears clear that if agreement on the substantive portions of the text is obtained, the remaining lesser issues in this area will be readily resolved.[19]

The creation of such a dispute settlement system with compulsory jurisdiction is obviously not possible outside of a Convention on the Law of the Sea. Such a system would provide stability and protect the essence of the agreements negotiated at the Conference. The alternatives of noncompulsory access to arbitration, the International Court of Justice, bilateral negotiation, or forceful action could not serve the world community as well as such a dispute settlement system. Nevertheless, there is one risk inherent in such a system that the United States and many other countries fear—the dispute settlement system may be politicized, particularly by the majority of nations from the developing world. The careful negotiation that has gone into the composition of the dispute settlement organs gives considerable ground for hope that this development would not occur. (See, for example, Part IV, Annex II, Articles 3 and 4).

In sum, the course of the negotiations and the course of history have preempted a number of issues under negotiation at the Conference. Certain developments will occur with or without the entry into force of the Convention. On the other hand, the satisfactory resolution of a number of important issues depends wholly or in part on the entry into force of a Convention on the Law of the

[19] The most recent Dispute Settlement Text was issued as U.N. Document A/CONF.62/WP.9/Rev. 2, November 23, 1976. It provides for four alternative dispute settlement procedures to be used at the option of the parties to the dispute. Special dispute settlement provisions are also provided for in the deep seabed Negotiating Text (Part I, Article 24 and Part I, Annex III).

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Sea. Furthermore, entry into force of such a convention would produce for all the matters covered the benefits of a stable, readily available codification of the Law of the Sea. If the deadlock is not broken, the benefits of resolution and codification will be unattainable.

VII

If, at the next session, the opposing positions remain unaltered on the three major political issues that I have identified, the Law of the Sea Conference will probably fail. If an early consensus on these three issues is reached, it is likely that the remaining minor and technical issues could be resolved quickly, placing the Conference in a position to produce a comprehensive multilateral Convention on the Law of the Sea. Rapid progress is, however, essential. It is virtually certain that unilateral claims to new rights in the oceans will proceed at an increasing pace if an agreement is not reached soon. These claims would then change the whole framework of the negotiations and make it much more difficult to reach an acceptable convention. Specifically, it is likely that many additional states will unilaterally claim national jurisdiction, possibly of the most extensive kind, in offshore zones of 200 miles or more; also, states are likely to expand their unilateral claims relating to straits and archipelagos.

However, the greatest danger—bluntly—comes from the United States, and specifically from the likelihood of congressional action asserting a U.S. right to exploit the deep seabed under congressionally set terms. Such legislation is pending before both houses of Congress, and some of its strongest supporters appear hopeful to have it enacted prior to the resumption of formal negotiations at the Conference this spring.[20] A common theme in the various proposals is that the U.S. mining companies could obtain the right to exploit specific resources in areas of the deep seabed, by filing a claim with the U.S. government. The United States would establish certain regulations applicable to exploitation, collect fees, and provide substantial guarantees to the exploiter, in particular ensuring against possible losses that might be caused by interference by other nations.

The major initiative for such legislation has come from a few mining companies and consortia that are seeking early access to the

[20] The bills during the last session of Congress were: *Deep Seabed Hard Minerals Act*, S. 713, 94th Cong, 2nd sess, 1976; and *Deep Seabed Hard Minerals Act*, H. R. 11879, 94th Cong, 2nd sess, 1976. Recently Congressmen John Breaux and John Murphy re-introduced the House bill in the new session of Congress as H.R. 3350.

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manganese nodules. As a complementary strategy, they are seeking to influence the negotiations by pressuring the United States to maintain a hard-line pro-development position. The legislation has received no official support from the executive branch, although the fact that it has been pending is believed to have made the U.S. hard-line position more credible to other countries. By late 1976, support for this legislation had grown to the point where many observers believed that its passage would have been veto-proof under a Republican President.

Apart from its specific dangers to the negotiations, this threat of congressional intervention highlights the need for much closer ties between the Executive and the Congress. Obviously, such cooperation would be needed in any event to prepare the way for Senate ratification of the Convention if it is ever submitted. Yet, although successive U.S. negotiators have done much to keep the Hill informed, they have lacked political weight and the President and Secretary of State have generally remained aloof. Now the newly appointed negotiator, Elliot Richardson, does have some political standing as well as extensive experience with the Congress. President Carter and Secretary Vance should give him every support to get Congress into the act constructively—and to forestall destructive unilateral legislation.

Furthermore, the formulation of policy should not be made merely within the technical limits of the law of the sea. As has been pointed out, significant areas of the negotiation involve the larger issues of U.S. relations with the developing world and raw material scarcity. The lack of a fully developed U.S. policy on these questions has hampered negotiations on many international fronts. Its development, in cooperation with the Congress, must be a very high priority for the Carter Administration.

VIII

We have seen that a great deal has in fact been accomplished by the negotiations, much of which would be lost if an implementing convention does not enter into force. What, then, are the costs the United States and other nations might have to accept to compromise on the three deadlock-creating issues?

As indicated above, a resolution of the landlocked and geographically disadvantaged states issue probably will not directly affect the United States. Its role has been and ought to continue to be one aimed at facilitating agreement among the countries directly involved.

On the legal status of the 200-mile zone, less flexibility exists, at least on the issue of military freedom of movement. It is axiomatic

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that neither the United States nor the Soviet Union can be expected to relax its position on this matter.

Yet the coastal states' opposition to labeling the economic zone as "high seas" is strong and apparently inflexible, even though, in my opinion, their position is based more on ideological reasons than practical necessity—or any expectation of stopping military uses of the type previously permitted. Further attempts to persuade them to accept a "high seas" label for the economic zone would be fruitless, particularly because time is on their side on this question: each succeeding unilateral claim to the 200-mile zone undermines the customary international law that the area is high seas. Fortunately, it appears that, except for a few extremists, identification of the zone as *sui generis* would probably be acceptable. It should be possible to frame language that implicitly (rather than explicitly) permits the military activities in question, perhaps by identifying the uses as traditional high seas navigational activities. Motivation for agreement here should be high if this issue becomes the final obstacle to agreement.

On the other hand, the remaining questions concerning scientific research and unknown future uses within the zone are not sufficiently critical to the long- or short-term interests of the United States or other states to convert these into make-or-break issues. Coastal state interest in control over resource-related activities in the zone is strong, and it is not easy to prove that any particular scientific investigation would not have any direct economic implication.

In the circumstances, the best the United States can probably hope for would be an improved definition of pure scientific research, and a right to refer any rejection of proposals for such research to a dispute settlement system. Such a system might be able in time to develop viable distinctions between pure research and resource-related research. In any case, the effort is worth making.

Similarly, the desire to protect unknown future uses of the zone more aggressively than Article 47 of Part II does already should not be a bar to agreement. I suspect that the probability is low of a major unforeseen development that would significantly change the political balance on the issue of allocation of rights and duties in the zone. Thus, attempts to avoid prejudicing such a development appear rather pointless.

From both an international and a U.S. domestic standpoint, settlement of the deep seabed issues is the most complicated and difficult. Many in the developed world, particularly the United States, see this dispute in terms of need for access to scarce raw

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materials and of avoiding Third World control over resources potentially important to the economic viability of their countries. On the opposing side, many in the Group of 77 assert the right of the majority of nations to influence, if not control, world economic policy with respect to a resource that is not owned by any nation. Both groups see the conclusion of this negotiation as having important precedents for future economic negotiations.

From the practical point of view of the U.S. economy, the importance of the nodule resources needs a careful and balanced appraisal. As indicated earlier, even full-scale prototype mining has not yet occurred and it is a matter of some speculation whether the industry could produce the resource in a way that would be economically viable.[21] The fact that the industry has had trouble raising capital and has been seeking substantial governmental guarantees, although apparently justified on the basis of political risks, indicates that success is far from assured.

The major argument made by industry supporters is that seabed exploitation would produce for the United States large quantities of important metals from a secure source. Yet the United States is not currently, or even prospectively, threatened by shortages in these metals. Significant reserves, resources, stockpiles and substitutes exist.[22] Furthermore, the land-based sources of these metals

[21] The National Academy of Sciences Panel on Occupational Safety in Marine Mining concluded in a recent study that "no total [deep ocean mining] system has yet been proven reliable to support commercial operations." Report, *supra* note 7, at ix.

[22] It is true that the United States currently imports substantial, and in some cases overwhelming, percentages of its needs in the four minerals: 74 percent for nickel, 15 percent for copper, and 99 and 98 percent respectively for cobalt and manganese. However, these percentages obviously reflect the present facts of price and ready availability from many sources, including friendly developed countries—Canada, for example, is our largest foreign supplier of both nickel and copper.

For non-fuel minerals generally, the U.S. Geological Survey has taken a hard look at possibilities of substitution, existing stockpiles and domestic availability of three possible kinds: Reserves, comprising economically recoverable material in identified deposits; Identified Subeconomic Resources, comprising identified deposits that are not yet economical to develop but would become so if the price rose; and Undiscovered Resources, comprising deposits geologically projected to exist that would yield metals economic to exploit. The combination of these sources leads the Geological Survey to the conclusion that for all four of the metals in question the United States would be able, if necessary, to meet its demand from domestic sources for at least a period of 25 years. This projection does not even take into account the enormous possibilities of substitution and recycling, as well as existing stockpiles. *Mineral Resources Perspectives,* U.S. Geological Survey Professional Paper No. 940, 1975, Table II, p. 6. See also *U.S. Mineral Resources,* U.S. Geological Survey Professional Paper No. 820, 1973; *U.S. Import Dependence on the Four Basic Deep Sea Minerals,* U.S. Treasury Department, May 1976 (unpublished); *U.S. Commodity Data Summaries—1976,* U.S. Department of the Interior and Bureau of Mines, 1976; *Deep Seabed Hard Minerals Act,* Report of the Committee on Interior and Insular Affairs, No. 754, U.S. Senate, 94th Cong. 2nd sess, 1976.

Obviously, the use of substitutes and presently uneconomical sources would entail substantial costs in relation to present prices paid for our supplies of these minerals. But in relation to the overall economy—or to the costs of the recent oil price increases—the costs could be small indeed. Furthermore, it is exceedingly unlikely that the United States would ever need to supply this demand from domestic sources exclusively.

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are found in many nations, both developed and developing; a concerted effort by Third World countries to affect the market in these metals would face enormous difficulties. Moreover, economic and political cohesion on anything like the OPEC model simply does not exist among the producers of these metals. The futile efforts of the Third World copper producers through the Intergovernmental Council of Copper Exporting Countries (CIPEC) tend to support this view.[23]

Indeed, there is a deeper question, whether making the United States as independent as possible of foreign sources of all raw materials is, in fact, in the best interest of the United States, at least if the cost is high. Although there are cases where greater resource independence might free the United States from undesirable pressures such as those imposed by OPEC, an interdependent world may in the longer run produce the kind of understanding and cooperation necessary to avoid conflict. Furthermore, elimination of a market for developing country producers in the case of these and other raw materials may have adverse economic consequences for the producer countries by delaying or reversing their economic development; this in turn may indirectly affect still other countries. Is a small degree of increased resource self-sufficiency for the United States—if obtained at the cost of industry subsidy (exposing the U.S. Treasury to the obligation to cover losses up to $600 million per mining site), naval protection of mining operations, or the failure of the Law of the Sea Conference and resulting ill will and conflict—really worth it?

On the other hand, development of the deep seabed manganese nodules within an agreed regime could be beneficial to the world and to the United States. It might produce resources at a competi-

[23] In "Developing Countries and Non-Fuel Minerals," *Foreign Affairs,* April 1974, pp. 497–510, Bension Varon and Kenji Takeuchi of the World Bank demonstrate that the obstacles to successful cartelization of these and other metals are very great. Their conclusions are based on the fact that (a) world reserves of non-fuel minerals are large, (b) sources of the metal are diverse, (c) the developing country exporters are strained for foreign exchange, and (d) large alternative sources to satisfy the demand can be found in stockpiles, substitutes, and recycling from scrap. They distinguish the petroleum situation principally on the basis of the fact that the few major exporters are not as strained for foreign exchange and oil is not substitutable or recyclable.

Dr. Nina Cornell, an economist at the Brookings Institution, and the author have testified that cartelization does not present a significant risk to the United States. *Mineral Resources of the Deep Seabed,* Hearings before the Subcommittee on Mines and Mining of the Committee on Interior and Insular Affairs, House of Representatives, 94th Cong., 2nd sess. on H.R. 11879, May 24, 1976, pp. 343, 363. The representatives of the deep sea mining companies have argued to the contrary that the risk of cartelization is substantial. *Deep Seabed Hard Minerals Act,* Joint Hearings before the Committee on Commerce, Committee on Foreign Relations, and Committee on Armed Services, U.S. Senate, 94th Cong., 2nd sess. on S. 713, May 19, 1976, pp. 104–39.

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tive price—increasing the supply of the metals and decreasing their cost. It would provide a risk-free payoff to a U.S. industry that has invested in deep seabed technology and should be encouraged to develop new technologies. It might permit the production of these metals in ways that may be less harmful to the world environment than land-based production. Finally, development of the resources through an international cooperative venture may lead to cooperation in more significant areas.

In sum, there are benefits to be derived by the United States from deep seabed mining. However, there is no critical unilateral need that should foreclose compromises, designed to protect the broader interests of the United States while providing a substantial participatory role for the developing world.

To this end, a one-nation-one-vote Assembly should play the role of a broad policy-making body sharing budgetary control with the Council (as now provided in Part I, Articles 25 and 26). On the key question of control of access, there is no doubt that much of the decision-making can be resolved at a technical level by the Technical Commission as the Text already provides. Nevertheless, decisions that have implications beyond the technical level ought to be resolved in a Council the composition of which reflects the political, economic and legal setting of this negotiation. Some nations have direct technical and economic stakes in deep seabed development. They are the potential initial exploiters as well as the major consumers and competing land-based producers. All nations have an interest based on the legal characterization of the resource as the common heritage of mankind, and many nations hope to share in the revenues from the deep seabed. Furthermore, the developing countries aspire to obtain greater control of international decision-making and seek to attain that goal here, and the reality of the political, military and economic strength of the developed nations cannot be ignored.

If one could quantify all of these interests, perhaps an ideal composition and voting formula for the Council could be established. Since that is not feasible, another negotiated compromise solution must be sought. The relevant interests appear to be divided primarily on the basis of developed versus developing countries. Since the cooperation of both groups is needed both for successful conclusion of the negotiations and the conduct of exploitation, the Council's composition ought to be arranged to assure that decisions may only be made with the approval of a substantial number of countries from each group. Minor changes in the present text that would reallocate the seats on the Council and

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change the number of votes needed to take affirmative decisions may be all that is necessary to reach this goal. As I have discussed elsewhere, such a composition would be likely to lead to early modest development of the resource, and to large-scale development if and when the technology is proved and exploitation becomes competitive.[24] Such an outcome ought to be acceptable to all nations.

In such an institutional structure, the United States and its companies would have more influence over the Authority than its voting strength in the Council and Assembly might imply. The significant U.S. technological lead would provide this country with important leverage in the development of the Authority and its treatment of exploiters, and this influence is likely to continue for some time. Similarly, the great influence of the United States worldwide would have a direct bearing on the actions of the Authority.

Second—and again in a context of American technological lead—the United States could reasonably improve on Secretary Kissinger's suggestions that the United States would be willing to assure that the Enterprise comes into operation. Further specific proposals to assure that the Enterprise would have the capital, technology and expertise necessary not only to come into operation but to become a viable operation and to compete with state and private exploiters would go a long way toward breaking the deadlock.

These proposed compromises are not painless. But the alternative is a collapse of the Conference and unilateral action, with only the hope that an uncontrolled situation might in time give way to customary international law or a multilateral convention. And here I doubt that the scenario for which the deep sea mining industry has lobbied is possible, i.e., that the developed countries would then combine (necessarily against the developing countries) to support the United States and to create their own favorable regime for the deep seabed.

In my opinion, other developed countries are unlikely to support a unilateral attempt by the United States to get its new and unproved industry going, particularly in light of the expected strong opposition of the developing world. It can be expected that in addition to denunciations of unilateral action, the developing world would obtain condemnatory resolutions at the United Na-

[24] See Charney, "The International Regime for the Deep Seabed: Past Conflicts and Proposals for Progress," *Harvard International Law Journal*, Winter 1976, pp. 45–49.

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tions General Assembly. Economic boycotts might be directed against the countries involved and against the participating companies, and suits before the International Court of Justice are conceivable, where the outcome could not be predicted. Even the possibility of high seas sabotage is not out of the question. There is no doubt that any nation which takes unilateral action will lose international goodwill, especially with the developing world.[25]

In such circumstances, the Soviet Union would probably find it advantageous to see the United States isolated from the developing countries, particularly since it has little need for the resources of the deep seabed. And even the West European countries and Japan might be reluctant to go forward unilaterally; as we have seen repeatedly since 1973, their dependence on developing country raw materials is not conducive to boldness, even in the exercise of much clearer legal rights than this would be. Both these developed countries and the Soviet Union would also be reluctant to encourage early U.S. development of deep seabed mining because they would like more time to develop their own technology to compete with the United States. A few would see delay as advantageous to their own land-based production.

Thus, the United States could not rely on receiving active support from other developed countries. In order to give the industry the opportunity to produce what may turn out to be only a limited quantity of metals that are not immediately needed, the United States government would have to incur alone the political and economic repercussions as well as the costs of military protection.

True, all of the developed countries do have a common interest in minimizing the control of the Group of 77 over international commodity markets. Thus, whether these countries would ultimately oppose the United States to the point of joining with the developing world in a deep seabed treaty largely dictated by the Group of 77 is a question on which one can only speculate. Much would depend on the resolve of the United States and the Group of 77. I doubt whether finding the answer would be worth the costs of such a struggle.

[25] Some have argued that the world response to the 1976 U.S. law claiming a 200-mile fishing zone was relatively mild (contrary to some predictions at the time), and that the same would be true for unilateral U.S. legislation and action concerning the deep seabed. To me the comparison suggests exactly the opposite conclusion. In the case of the fishing zones, the Congress was acting *with* the tide of general sentiment, and indeed merely duplicating actions already taken by many developing nations. In the case of the deep seabed, unilateral U.S. action would be *dead against* the tide of general sentiment, lacking in any precedent and flying in the face of strongly supported General Assembly Resolutions.

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In the final analysis, I believe that the compromise approach which I have outlined and which is substantially found in the negotiating texts should be acceptable. As discussed above, the hard-line members of the Group of 77 want a regime for the deep seabed conforming to their view of the New International Economic Order, which requires an increased role for the developing world in economic affairs. Compromise would give them such a role in the seabed—though not the majority control some are demanding. On the other hand, if the United States were to succeed in unilateral action, the developing world would play no role in seabed exploitation.

From another perspective it is clear that most of these nations share many economic interests in seabed production with the developed countries. They are also consumers of these metals and seek an adequate supply of resources at a price which is not prohibitively high. Although land-based producers of these metals fear competition from seabed production, few such countries rely heavily on exports of these metals, and, with the possible exception of the cobalt producers, the adverse impact of seabed production is likely to be small.[26] Many developing countries believe that they will benefit from deep seabed production, and there is some pressure within the group to create a regime which makes it economically and politically attractive for the United States and other developed countries to invest in deep seabed mining.

In sum, a compromise regime should be negotiable which would allow deep seabed mining under a single joint venture system or under a parallel system of exploitation in which both the Enterprise and state-sponsored enterprises would have access to the resources. Shared political control of the developed and developing countries and effective dispute settlement procedures should be acceptable to both groups since it is in the interest of all concerned to conclude a treaty settling this matter.

IX

In terms of the Law of the Sea alone, a glance back over the preceding arguments will show how serious would be the consequences of failure to reach agreement in the coming climactic

[26] See *United States of America: Working Paper on the Economic Effects of Deep Seabed Exploitation*, U.N. Document A/CONF.62/C.1/L.5, August 6, 1974, and *supra* note 7. Although the revenues from deep seabed production could be used to compensate countries that may be adversely affected by seabed production, it is questionable whether the revenues would be sufficient. For a discussion of the use of revenues from seabed mining, see J. Charney, "The Equitable Sharing of Revenues from Seabed Mining," *Policy Issues in Ocean Law*, Studies of the American Society of International Law Working Group on Technical Issues of the Law of the Sea, 1975.

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session of the Conference. Territorial limits, rights of transit, degrees of resource control—all would be thrown wide open to a renewal of the kind of national claims that have characterized the last 30 years. It seems almost axiomatic that it would be the United States and other active maritime states that would suffer most from such a jungle situation.

Yet one may ask: Might not the subjects under negotiation be separated—contrary to the understanding that has so far governed the Conference—so that the subjects that are settled would be assembled as a convention and come into force, while remaining issues would continue to be negotiated?

Unfortunately, this route appears to be infeasible, in the judgment of virtually everyone who has been close to the negotiations. The quid pro quos made to obtain the present understandings have so intertwined the negotiations that any attempt to isolate the deadlocking issues might cause the whole Revised Negotiating Text to unravel, leaving only the most unimportant subjects for codification.

Moreover, the greatest potential for future national claims and international conflict exists precisely with respect to the two major deadlocking issues—the legal status of the economic zone and the regime of a deep seabed. A convention that left these issues unsolved would be a hollow shell.

Finally, there is the wider perspective in which the Law of the Sea Conference must, in the last analysis, be approached. Inescapably, these negotiations pose the broader issue of world order. The problem of the oceans is only one of a number of universal issues that may require multilateral if not universal solutions if the future of mankind is to be optimally protected. Energy, raw materials, outer space, food, the environment, the Arctic and Antarctic, as well as the development problems of the developing countries—all these now call for multilateral solutions.

A failure at the Law of the Sea Conference would surely have an adverse impact on these other issues. Many nations, including the United States, have invested much talent, time and money in the Law of the Sea negotiations. Foreign Offices and legislatures are deeply concerned about the cost of such a negotiation and are questioning the wisdom of the investment. If the Law of the Sea Conference fails, it may be difficult to obtain the governmental and individual support needed for similar multilateral negotiations in other areas, unless the opportunities for success are great.

The importance of near-universal agreement in resolving certain international issues is clearest in the case of common property

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resources such as the environment, ocean resources and outer space. As free resources, certain of the costs of use are not directly felt by the user. Consequently, there tends to be over-utilization of such resources, causing net losses to the international community. Without agreement on the limit to such use, over-utilization will continue until the resource is depleted. Thus, certain fish populations are being irrevocably destroyed and the ocean irreversibly over-polluted. Since all users must be limited to avoid over-utilization a universal agreement is necessary.

Although energy, raw materials and food are not usually derived from a common property resource, the universal negotiations may be of value for these issues. All nations participate in some degree or another in the production, pricing, distribution and consumption of these resources and will want to play a role in the formulation of changes in the system. One would only have to look as far as the current UNCTAD commodity meetings and the Paris North-South Dialogue to conclude that such a universal interest exists. Satisfactory resolution of these issues probably requires the creation of international institutions and programs to assist in certain aspects of management, development or even utilization of some of these resources.

There is no doubt that the members of the Group of 77 should be motivated to preserve the viability of multilateral negotiations on a wide variety of issues. Many goals of the Group of 77 can only be accomplished through a multilateral treaty. Furthermore, the strength of their unity is most effectively brought to bear in a multilateral conference setting. Thus, the long-term interests of the developing countries may be better served by success at the Law of the Sea Conference and maintenance of the viability of multilateral negotiations.

It has been argued that it is in the long-term interest of the developing countries to take a very hard-line position at the Conference because this would provide leverage on the other international issues. Similarly, it has been argued that a multilateral approach to these problems is not desirable for the United States and other developed countries, since their leverage would be greater outside of a multilateral forum. With the exception of a few speeches, the Ford Administration used this confrontational approach; a number of other developed countries appear to concur.

In addition to economic interest groups, there are other groups at the Law of the Sea Conference which have staked out equally hard-line positions for their particular issues. Such groups include the Group of Landlocked and Geographically Disadvantaged

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States, the straits states, the archipelagic states, and the coastal states. Of course, the members of those groups are integrated into the broader economic interest groups when economic questions are under discussion. However, on issues of special interest to them, these countries tend to be intransigent. Before maintaining such hard-line positions those groups ought to take into account their broader interests, especially their interest in the viability of multilateral negotiations.

In my opinion, a better attitude for all participants is one that views this negotiation as a building block toward a multilateral approach to other universal issues. Increased future leverage is meaningless if the negotiating forum cannot produce the necessary results. A hard-line position will be fruitless if the Conference fails.

Moreover, the interdependency of nations is undeniable. Thus, a rapprochement between the developed countries and the Group of 77 is important. Continued escalation of North-South tensions will damage chances for resolving the many resource issues facing the world at the end of the twentieth century. Unfortunately, collapse of the Law of the Sea negotiations and the unilateral actions that would inevitably follow would be critical in this regard. If both the developed and developing countries would jettison their hard-line positions in favor of a reasonable compromise, future credibility of both groups could be retained and the availability of universal negotiations would be preserved.

It is a fact that the options available to nations at this stage of the negotiations are limited and present, to some, uncomfortable choices. There is no doubt that the subject matter limited the options, although procedural aspects such as the timing, composition, organization, availability of information and linkages to other issues would appear to have been significant factors. Nevertheless, history cannot be reversed. Perhaps future negotiations will be structured to produce better results.

X

Near the end of any significant international negotiation a critical deadlock is likely to develop when the important political issues are reached. The mere existence of a deadlock, therefore, is no reason to conclude that the Law of the Sea Conference will be a failure. However, so far the negotiations have proceeded with little consideration of the impact of failure on other aspects of international relations. The progress of the negotiations should not be evaluated solely on the basis of specific issues or even a group of

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key issues. Rather, a proper evaluation of the political and economic compromises necessary to break the deadlock and to conclude the negotiations requires a broader review of the negotiations. The direct and indirect advantages of a convention must be identified and communicated to the nations concerned. It is in this light that the conclusions made in this article are presented.

With this perspective it becomes clear that all countries in the negotiations, particularly the United States, must quickly, but tactfully, move toward the necessary compromises. This option is available to President Carter if his Administration acts with dispatch. Such a change could produce a successful conclusion to the Law of the Sea Conference that would minimize maritime disputes, satisfy the aspirations of the developing world, permit deep seabed mining and facilitate the resolution of other international problems. Failure to make such a change will doom the Conference and result in destabilizing, illegitimate unilateral actions detrimental to all in the long run.

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By Z

WHAT JEAN MONNET WROUGHT

JEAN MONNET: *MÉMOIRES*, Paris, 1976 (Fayard). The book is to be published in English by Doubleday later this year.

Of all the public figures of twentieth-century Europe, Jean Monnet is one of the most sympathetic and inspiriting. He can justly be called a great man who, in a life guided by a pragmatic idealism, has done his best to heal the deep wounds which Europe has inflicted on itself and to place international relations on a basis of reason and the recognition of a common interest among nations. He has been called the founding father of the European Community, and, if not everything has turned out as he foresaw, that is the normal fate of political innovators.

The publication of M. Monnet's *Mémoires* is, therefore, something of an event—all the more so in that there is no very easily accessible record of his utterances and opinions. Despite his influence M. Monnet has remained a somewhat shadowy figure, and this book, with its forthcoming translation into English, should do much to make readers in other countries than France—particularly the younger ones—more aware of what he has achieved and how he has achieved it.

Jean Monnet's career has been a long and varied one, taking him from the family brandy business in Cognac—the one French town with a street called after the British nineteenth-century freetrader Cobden—to dealing with the supply of food for the Allies in London during the First World War and the purchase of arms for the British government from the United States in the Second. Between the wars he worked for the League of Nations and as an international banker. After 1945, he became the first Commissioner for the Plan for Modernization and Equipment of France, and founded an organization which he himself had suggested and which was to become an example of what can be done to modernize and strengthen a country's economy. Then came what is rightly called the Monnet Plan for the European Coal and Steel Community (ECSC). After its acceptance by Adenauer and Schuman, M. Monnet became the first President of the High Authority in Luxembourg. Then in early 1955, after the failure of the European Defense Community (EDC), he resigned in order to found the Action Committee for the United States of Europe, whose leader he remained until it was dissolved in 1975.

Thus, in 88 years, M. Monnet has lived much history and met many of the actors in it. But it is an odd feature of these recollections that this side of things hardly seems to interest their author. Famous men are mentioned, but the description of them is perfunctory, and there is little in the way of the striking vignettes usually associated with great memoir-writers. What M. Monnet remembers of those with whom he has dealt is their alignment rather than their characters. Also he has not much to add in the way of facts to what is already known by the historian of contemporary politics. It is curious to find him

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refusing to join de Gaulle in London on the grounds that the latter should not have formed his Free French committee before General Noguès had made up his mind about the Vichy government. It is interesting to hear his account of exchanges with the British at the time of the Coal and Steel plan. But these are historical crumbs.

On the question of whether or not the shipwreck of the EDC treaty could have been prevented, he writes:

> To try to discover what would have happened had things fallen out otherwise is an exercise of which I am incapable. To rewrite history on the bases of hypotheses which have not materialized is not only a fruitless task, but, in my eyes, meaningless.

But precisely for most historians the causes of the failure of EDC—and, therefore, the alternate ways in which things might have developed—are of great interest, an integral part of the formation of a historical judgment on these events. For M. Monnet, on the contrary, such discussion appears to inhibit (or, at any rate, fail to further) future action. His attitude, like that of many convinced reformers, is resolutely anti-historical. This is legitimate enough in itself, but inevitably detracts from the interest of those long sections of the book which are, in effect, history. These memoirs have a curiously public air about them. An autobiography must concern its author in the first place, but it is a pity that the other figures on the stage should be quite so ghostly and that, in the narration of events, so little should be given away.

Of course, M. Monnet himself—his beliefs and aims, his strategy and tactics—is the subject of this book. Throughout it are scattered fascinating and revealing hints about its author's methods of work and ways of exercising influence:

> I have never acted in any other way: first have an idea, then look for the man with the power to apply it.
> How many times have I succeeded at the last moment in substituting the text which I had patiently prepared for that which an irresolute or indifferent politician had failed to perfect.
> . . . in this matter of drafting my only rule is to work as much as is necessary, to return to the drawing board a hundred times if a hundred times are needed for the result to satisfy me.

One could multiply these quotations. M. Monnet's preference for simple language, for working with small teams of handpicked assistants, his efforts to identify in advance the right politician or official before whom a paper should be laid—all this meticulous preparation of documents and reflection as to their probable reception—help us to understand just how formidable a deployer of influence within an official hierarchy he was. Clarity in the expression of ideas and exact timing in their launching were his weapons—tactical arms which are not invariably employed by those who possess a vision of the future and wish to convey it to others. Perhaps it is of some significance that M. Monnet was over 60 when he produced his plan for the Coal and Steel Community. A lifetime's experience of affairs conducted in very diverse milieux showed him what had to be done to get it accepted. A younger man might not have been capable of acting so effectively.

Such passages help to identify the type of influence exercised by M. Monnet. In an interesting page he gives his reasons for not entering French political life

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after 1945 and, in so doing, provides a key to his own conception of how he might most usefully intervene in public life:

> Faced by this dilemma, I understood that I had better things to do than to try to exercise power myself: had not my role for a long time been that of influencing those who possessed it and of taking care that they should use it at the right moment?

The politician's inevitable egotism and the heterogeneous character of the tasks with which a minister is faced were equally alien to M. Monnet. For him it was essential to concentrate on one thing at a time, and his preference was for working in the background, if by self-effacement he could be more effective. The modesty was tactical, for it is clear from these memoirs that once he had made up his mind, it was almost impossible to change it.

Such a mode of action was one suited to the habit of mind of a high civil servant, and, though M. Monnet did not spend most of his career in official bureaucracies, it was in such an environment that his major victories were won. Comparisons have often been made between his life and that of de Gaulle—no doubt by would-be Plutarchs in search of a striking contrast. But there is perhaps a more interesting parallel to be drawn between his career and that of John Maynard Keynes who was also concerned to spread ideas, first within the official world of his own country, and then throughout the whole network of those concerned with the management of international finance and trade. Just as European institutions bear witness to M. Monnet's work, so the postwar economic order was a monument to Keynes—albeit, from his point of view, an imperfect one. Of course, the comparison must not be stretched too far. Keynes, with a crushing intellectual superiority over his adversaries, was, perhaps for that very reason, less successful than M. Monnet in placing his ideas where they could bear fruit. He lacked the visible crisis brought about by the Second World War to reinforce his arguments and gain a receptive audience. Both, however, were men who chose to work through the machinery, and within the bounds, of a given political and bureaucratic system.

M. Monnet's style—the manner in which he advanced his cause—emerges clearly from his memoirs. The objectives which he tried to achieve also permeate the book, though they do not receive the systematic treatment they deserve. Since, however, they must be regarded as its main theme, it is worth trying to summarize them here, oversimplified as such a summary must be.

II

M. Monnet's ultimate objective (and in this he does not differ much from other Europeans who have lived through two wars) is peace and understanding among men:

> The best contribution that can be made to civilization is to cause men to flower in freely constructed communities.

The same thought recurs in a different form in the first draft of the Coal and Steel Community plan:

> this proposal will create the first solid foundations of a European federation which is indispensable for the preservation of peace.

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The problem is to bring this about in a Europe torn by conflicting nationalisms and the hatreds inherited from murderous wars. M. Monnet's answer—and it is here his originality resides rather than in the aspiration itself—is to unite men and nations by proposing to them some common task in which they see their own interest and forget their differences. Thus traditional rivalries will gradually be transcended and a community of interest created by the experience of work in common which can be extended to other sectors of activity as time goes on. It was in this spirit that M. Monnet and his associates felt that the establishment of a European Atomic Authority should follow the success of the Coal and Steel Community.

Such common tasks must be embodied in institutions both because rules are the only way of avoiding perpetual conflicts of interest and because institutional arrangements are necessary to give permanence to any human undertaking:

> The life of institutions is longer than that of men, and thus institutions, if they are soundly built, can accumulate and pass on the wisdom of succeeding generations.

Once nation-states and their leaders find themselves bound by rules, infringement of which will destroy common policies that are to their own advantage, these institutional bonds will serve not only to inhibit the occurrence of conflict, but also to mediate it if it does occur. Little by little this method of conducting policy in common will spread to all sectors of interstate relations until the members of the Community no longer deal with each other on a bilateral basis. At this point they will have become a federation just as the provinces of France were assembled in a national state at a moment favorable to this change in their status.

In a note of August 22, 1966, M. Monnet wrote:

> The power of adaptation which compelled the French provinces to construct France continues.

Only, in the twentieth century, it is not so much the different geographical portions of a future federation that are joined as it is the different functions of states that are gradually abandoned to common decision-making. The nature of that decision-making will itself have changed from dealing with purely functional matters, under license from the member-states of the Community, to having a political content when decisions are taken on a federal basis (e.g., by majority vote). Then a federal government will be in existence for all practical purposes and, as such, will require to be controlled by appropriate democratic institutions.

This is the way in which M. Monnet envisages the advent of that "wider and deeper" Community to which the preamble of the Coal and Steel Community treaty refers. The reference to the slow creation of France is far from irrelevant, since the process described is analogous to that by which the citizens of a nation are subjected to common laws and institutions. Moreover, the idea of the development of a common interest around which a community can coalesce is that which has often in the past been seen as presiding at the birth of civil society. In Hume's *Essay on the Independency of Parliament* the business of the legislator was already defined as so to arrange the laws that men, guided by their interests, would "cooperate to the public good." The idea of finding a common framework

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for individual interests so that they may band together to sustain a general interest is a familiar one in the history of European states and European jurisprudence. It was M. Monnet's originality to apply it to relations between states and to do so in such a way as would build solid functional links between them. The difference is that, in the course of the construction of nation-states, there was never any assumption of equality between the central core and the outlying portions of national territory added to it. In the case of the European Community a legal equality is assumed between the component parts which also possess a right of veto on how far the process of fusion shall go.

The question which faces the reader of these memoirs is to what extent Monnet's serene confidence that European integration will forge ahead as he has imagined is justified. At the time of the signature of the Rome treaty in 1957 enthusiastic Europeans, if they reflected on the evolution of the institutions of the European Economic Community (EEC), saw the Council of Ministers losing power and the European Commission (supported by the European Parliament) gaining it. The moment at which political power tilted decisively toward the supranational institutions played something of the same role in their thinking as the withering away of the state does in that of Marxists. But this has not happened, and, with regular meetings of a European Council composed of heads of state and government, the shadow of the member-states looms larger over the Commission than it did in the early 1960s. M. Monnet may be right in pointing to the crucial importance of institutions, but it is the hardest thing in the world to overcome the force of inertia they generate. One institutional choice must exclude another, and, once a wrong turning has been taken, it is impossible to go back. Institutions like human beings suffer from sclerosis and degeneration, and no very sure recipe has been discovered for their restoration to vigor. It is not easy to imagine any known modern bureaucracy, in M. Monnet's words, accumulating the wisdom of succeeding generations. In general, such organizations content themselves with surviving and dealing more or less capably with the crisis of the day. Thus M. Monnet, who is rightly conscious of the fallibility of the individual human being, may have underestimated that of organizations.

In any case, the "engrenage" through which the machinery of European institutions was itself supposed to produce an ever-widening circle of integrated policies has not worked well of recent years—partly because, as Roy Jenkins has pointed out, a disparity of economic power has divided a community of equals into those who give and those who take. Can it, therefore, be expected that the great leap forward from the functional to the political will take place simply as the result of a process already under way? No doubt, some more direct expression of political will is required from the peoples concerned, and this will hardly become manifest without some strong and visible impulsion. Historically speaking, the concept of a European Community was the product of the fears left behind by the Second World War, of a determination that this at least should not happen again. In the mid-1950s, Suez and Budapest seem to have provided a powerful stimulus for the negotiations preceding the Treaty of Rome. In the early 1970s, however, the threat of the energy crisis excited no such reaction, though doubtless there are still plenty of salutary shocks ahead to try European reflexes.

The view of politics taken in these memoirs is rational and melioristic. In the dependence which it suggests of the political on the economic factors in society there is also something of Marxism. But it is questionable whether, in fact,

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political activity can be analyzed in purely rational terms. The power of common fears, the lure of common myths, the strength of common hatreds—all these tumultuous elements play a part in human affairs that is certainly not predictable in advance nor easily controllable when it manifests itself. M. Monnet's account of society neglects some of the most powerful integrative forces that go to bind together historical communities. He recognizes the existence of the dark instinctive side of political life, but he may underestimate its strength and also its advantages. Nationalism, for instance, can reasonably be regarded as a negative force; but what has yet replaced it as a motivation for the behavior of the citizen within society? What social catalyst has been discovered as drastic in its effect as war or a new religion?

III

To ask such questions is probably unfair. M. Monnet has been concerned to act and not to disinter the roots of political behavior. As far as he has been able, he has endeavored to improve the political climate of his time, and his reflections on politics are in fact a technique of action. A native idealism and a practicality which owed something to his experience as an international businessman dictated an approach to world affairs very similar to that of the high American officials he had known so well in Washington. They, too, saw a better world stemming from practical cooperation for economic reconstruction that would bring in its wake reconciliation as well as peace. No wonder that M. Monnet always found such understanding in the United States. No wonder, too, that American Administrations sometimes overestimated his influence in his own country, thereby adding one more to a long series of misunderstandings.

In the closing passage of his memoirs M. Monnet draws a distinction between those who wish to *do* something and those who wish to *be* something. He would put himself into the first category, and certainly he has done great things. But his has also been an exemplary role in Europe. It would be absurd to use the word *guru* of so rational a being, but he has been an effective teacher and has had disciples who remember working for him as the formative experience of their lives. His view of Europe and its problems has deeply affected a whole generation of statesmen and altered history for the better. Now it will be the business of those who have listened to him to reflect on what he has said and build on what he has done. For a time has come when the process of European integration requires rethinking if it is to continue. Unless Jean Monnet's achievement—its extent and its limitations—receives genuinely critical attention and the lessons of failure as well as those of success are learned, his work will hardly go forward. To omit such a critical examination is to fail to take him seriously or to understand the last 25 years of European history.

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COMMENT AND CORRESPONDENCE

ENERGY STRATEGY

To the Editor:

In his article, "Energy Strategy: The Road Not Taken?" in the October issue of *Foreign Affairs,* Amory Lovins tries to show that providing sufficient energy by a "soft technology" requires less investment than by a hard one. Unfortunately, the figures say otherwise.

The mainstay of Lovins' soft technology appears to be space heating by solar power. The energy which can come from this source has been examined very carefully by J. D. Balcomb of the Los Alamos Scientific Laboratory. He studied in detail the sunshine hours in various parts of the country, as well as the "degree days" of heating required. He found that in the most favorable areas (excluding Southern California) one square foot of solar collector will provide about 170,000 Btu per year; while for the average of the country, the figure is nearer 110,000 for space heating. If hot water is also provided by solar heat, this may add 50,000, for a total of 160,000 Btu per year for the average. One barrel of oil per day (which Lovins chooses as his unit) means 2.1 billion Btu per year, and is therefore equivalent to 13,000 square feet of solar collector.

The cost of solar collectors alone is anywhere from $12–$18 per square foot. If we include heat storage, circulation system, etc., about $20 should be a reasonable average price. Thus to replace one barrel of oil per day by solar heat requires an investment of about $250,000. However, Lovins in his footnote 29 gives an investment cost of $50,000–$60,000, too low by a factor of four to five.

Dr. Balcomb's numbers are for an installation providing 50 percent of the heat for a building; Lovins' number supposedly is for 100 percent. If 100 percent solar heating is desired, the cost will be much higher, partly because the area of solar collectors must be greatly increased to provide for cloudy days, and partly because much more heat storage will be required. In Europe, conditions for solar heating are much worse because of the short winter days north of the Alps, and the much greater cloud cover compared to the United States.

It should be mentioned that Dr. Balcomb himself is working actively on solar heating and wants very much to make it successful, which includes quantitative studies of the implications of his favorite technology.

In the case of nuclear energy, Lovins' mistake is in the opposite direction. The cost of nuclear power plants ordered now is about $500–$600 per kilowatt electric (kWe), excluding interest during construction and inflation. The interest has been estimated at about 30 percent. Since Lovins' numbers are in 1976 dollars, one must not include inflation during construction. Lovins wishes to consider delivered electric energy rather than installed capacity. Taking a capacity factor of 60 percent (present experience) gives an investment cost of $1,100–$1,300 per deliverable kilowatt. A barrel of oil per day is equivalent to 67 kilowatts, and thus requires an investment of $75,000–$90,000. Lovins gives a figure of $200,000–$300,000, this time too high by about a factor of three.

This comparison does not yet do justice to electric energy. It has been assumed so far that electricity is used in the form of resistance heaters for space heating, a very wasteful procedure. It is possible instead to use heat pumps which Lovins himself recommends in a different part of his article. With heat pumps, electricity can give two to three times the heat value of resistance

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heating, at an investment cost for the pumps of a small fraction of solar heating.

I submit that these considerations invalidate Lovins' arguments for a soft technology from the point of view of investment.

But also for other reasons a decentralized production of electricity does not seem to me attractive. I can only admire the reliability of the electricity supply from our utility; apart from the famous blackout in November 1965, service has hardly ever been interrupted for as much as a minute. My argument is not that "small is ugly," but that some technologies do not lend themselves to smallness if they are to be reliable. Small, community power stations cannot afford sufficient trained manpower (engineers, operators, linemen) to cope with breakdowns, nor would there be possible the very effective interconnection of grids which helps the big utilities' reliability.

The above calculations do not necessarily make solar heating impractical financially. Under favorable conditions on interest and taxation, solar energy can provide heat at about $7 per million Btu (MMBtu) at the most favorable locations in the United States, $9 at average locations. Natural gas presently costs about $2 per MMBtu; the price may rise to $4. Synthetic gas may cost $4 at the factory and perhaps $6 delivered. Electricity, priced to correspond to the investment cost for future nuclear and coal power plants, may deliver heat at $15 per MMBtu by resistance heaters and, compared to this, solar heating will indeed be economical. But the relative economics of electric heat pumps versus solar heating will differ from place to place, and needs to be investigated. Solar heating is almost certainly economical for the heating of water.

Parenthetically, these calculations show the economic importance of developing and building coal gasification plants.

There are a number of points where I am in agreement with Lovins, such as: (1) we need more energy conservation; (2) we should make maximum use of technical fixes, although they will not save as much energy as Lovins believes; (3) energy should be priced according to the replacement cost of energy installations, not according to the (much lower) original investment; (4) agricultural wastes should be exploited for energy; (5) large-scale solar electricity generators are probably not economical; (6) passive heating by the sun is a promising technique. And there are a few more.

The energy problem of the United States and other industrial countries is extremely serious. We need to combine many different techniques to solve it. But it cannot be solved by combining "soft" arithmetic with wishful thinking.

HANS A. BETHE
Professor of Physics Emeritus
Cornell University

Mr. Lovins replies:

Professor Bethe's letter illustrates how sensitively conclusions depend on a complex chain of many assumptions which rest in turn on one's access to up-to-date information. My own assumptions, deleted from my article as too long and technical, can only be sketched below, but are fully explained and documented in my widely circulated Oak Ridge paper, presented October 21, 1976, and cited in footnotes 7 and 29 of my article. I hope that Professor Bethe and others will kindly consult that paper, the updated substance of which will appear in my spring 1977 book, *Soft Energy Paths: Toward a Durable Peace* (to be published by Friends of the Earth/Ballinger).

I am not familiar with Dr. Balcomb's calculations in detail. His value for the heat supplied by an average U.S. flat-plate solar collector (160,000 Btu per

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square foot per year on average) is 25 percent below the roughly 215,000 Btu I assume, but above the figure used in the main calculations of my Oak Ridge paper, which were concerned with the less favorable climate situation of Denmark. (Footnote 29 of my article had given higher estimates for Scandinavia for this reason.) Dr. Balcomb's figure suggests some combination of a moderately inefficient collector, high losses, suboptimal orientation or working temperatures, or a poorly insulated house. These are consistent with his design philosophy, which seeks only 50 percent solar heat and thus is presumably optimized to compete with fuels priced well below their long-run marginal cost of replacement. I, however, assume long-run marginal-cost pricing, which Professor Bethe advocates. This leads to 100 percent solar heat with seasonal storage, and to a quite different optimization of collector area, operating parameters, house insulation, etc. My approach entails much more storage (currently costing about $21–$34 per cubic meter of water, less than for backup capacity, which requires steel, copper and concrete), but not a "greatly increased" collector area. Storage and collectors can be traded off, and the former enables the latter to work more of the time. I assume collectors designed for high efficiency in cloudy northern European conditions.

Our disagreement about collector price is clearer. Professor Bethe's quoted cost of $12–$18 per square foot is far too high. Many good collectors were available even in mid-1974 at a price (not a cost) of about $1–$5 per square foot f.o.b. factory, or about $6–$11 per square foot installed. I assume whole-system installed prices—in 1976 dollars and with seasonal heat storage more than ample for northern Europe—of about $14 per square foot in the late 1970s and $9 per square foot in the mid-1980s. These estimates are consistent with others by A. D. Little, the Office of Technology Assessment, and industrial specialists in mass production of solar hardware. The Energy Research and Development Administration seeks a $10 per square foot average installed price (without seasonal storage at about $1 per square foot) by 1980—a common price in California today.

Such relatively low prices show why active solar heat at the margin (let alone the much cheaper passive approach) competes nicely with the $82-per-barrel-equivalent nuclear electricity and the $33-per-barrel-equivalent synthetic gas which Professor Bethe conservatively projects. Moreover, far simpler kinds of plastic and flat-plate collectors are commercially available today for about $3–$4 per square foot installed, and even cheaper solar ponds and paper collectors show promise, though I assume no such innovations. Likewise I do not assume neighborhood-scale solar systems, which are much cheaper than single-house systems, nor collectors integrated with roofing.

Solar costs *are* uncertain—nearly as uncertain as nuclear costs. (U.S. reactors have been built consistently at twice the expected real capital cost and, lately, at thrice the expected real fuel-cycle cost.) But there are structural reasons to expect solar costs to fall and nuclear costs to rise.

I need not invoke that observation to explain our disagreement over the capital cost of nuclear systems. Professor Bethe assumes a power station can be built for $650–$780 per kilowatt electric (kWe) of installed capacity (including interest charges), using 1976 dollars. For my estimate I have taken the conservative Bechtel model (cited in footnote 2 of the article) and converted its figure of $585 per kWe, in 1974 dollars, to 1976 dollars by use of the index obtained by Professor Bupp (cited in footnote 3 of the article) for simple or multiple regression in light-water reactor costs. This conversion yields respectively $760

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or $929 per kWe of installed capacity. I also assume a capacity factor of 55 percent, rather than 60 percent. So far there is no major difference.

However, since I am computing the cost of a *complete* nuclear *system* per kWe *delivered* (not installed or sent out), I include some straightforward costs that Professor Bethe omits. These are a surcharge for 11 percent transmission and distribution losses (the Bechtel analysis assumes 16 percent); an initial core priced at $100 per kWe installed (in 1976 dollars); and marginal investment, all in 1976 dollars per kWe installed, of $76 for fuel-cycle facilities, $86 for transmission equipment, and—a big term—$525 for distribution equipment. (These three terms use Bechtel data and the 1974–1976 cost index used by Brookhaven.)

Combining all these figures yields $3,151 or $3,495 per kWe delivered, on the alternative two assumptions about how to convert power-station costs from 1974 dollars to 1976 dollars. The lower of these two figures corresponds to $211,400 per delivered daily barrel equivalent, 2.4 to 2.8 times Professor Bethe's estimate.

Even my higher figure is conservative because both Professor Bethe and I omit many costs: marginal capital investment in reserve margin and spinning reserve; federal regulation, security services, and research and development; marginal investment in future waste management and decommissioning; land; the 6–8.5 percent of station output required to operate the reactor's fuel cycle; cost escalation, after 1976 ordering, at any rate exceeding the GNP inflation rate (constant-dollar cost escalation, which I assume to be zero, is now running at about 20 percent per year for LWRs, 7 percent per year for coal-electric stations); and end-use devices. A realistic calculation, including all but the last of these terms, would yield a nuclear capital cost nearer $300,000 per delivered daily barrel equivalent.

Professor Bethe is correct to assume heat pumps. My Oak Ridge calculations on space heating do so, assuming a coefficient of performance of 2.5 (the present U.S. average is 1.9, and Professor Bethe suggests 2–3). Completely solar U.S. active space heating nonetheless turns out to have a substantially lower marginal capital cost—considering none of the items in the previous paragraph—than a nuclear and heat-pump system to heat the same house. Indeed, the 100 percent solar system is cheaper than the nuclear-and-heat-pump system in life-cycle cost—where solar also beats synthetic gas—even in cloudy Denmark at the latitude of southern Hudson's Bay, and even there solar may win on capital cost too. (If it cost more, there would still be good reasons to use it anyway; but its being cheaper makes a neater argument for people who value narrow economic rationality above unemployment, inflation, centrism, vulnerability, proliferation, and other concomitants of the nuclear option.)

Professor Bethe's remarks about the unreliability of decentralized electricity generation will be news to the American Public Power Association's 1,400-odd utilities, which reliably supply electricity to more than 30 million Americans at least as cheaply as big utilities could. The latter buy their excellent reliability, however, at extremely high marginal cost, and big stations tend to be so much less reliable than smaller ones that the smaller ones have lately been costing less per kWe sent out. Centralized big stations also entail transmission and distribution grids so costly that they accounted for 69 percent of the electricity bill paid by average nonindustrial customers of U.S. private utilities in 1972. The pervasive diseconomies of large scale discussed in my Oak Ridge paper make the virtues of bigness an open issue that awaits detailed analysis.

But Professor Bethe's strictures on decentralized electricity generation are a non sequitur, since I nowhere advocated this approach. (Radical decentraliza-

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tion of electrical generation—beyond the level of industrial cogeneration—would probably make sense only if cheap photovoltaic cells are developed. This may happen very soon—indeed, some analysts believe it has already happened in U.K. and U.S. projects—but my article nowhere assumes this or any other solar-electric technology.) My reference to diesel generators was not a proposal to deploy millions of them, but rather an analogy to make the point that if we could make power stations the way we make cars, they would cost less than a tenth as much as they do, but we can't because they're too big.

What I did advocate is matching scale and energy quality between end-use needs and marginal energy supply, thus virtually eliminating the costs and losses of conversion and distribution. This implies, first, taking advantage of the big systems we already have (which will be with us for decades) without multiplying them further; and, second, redirecting our effort at the margin away from centralized electrification. This will free disproportionate resources that can yield more energy and more jobs faster if invested in conservation and in soft and transitional supply.

The real challenge to Professor Bethe is to resolve the inconsistencies in his own analysis. We both advocate improved efficiencies (induced both by proper pricing and by specific policies), solar heating, bioconversion of wastes, and (presumably) cogeneration, district heating, and transitional coal technologies. I contend that these, with quite modest amounts of frontier oil and gas, will make his proposed reactors, coal-electric stations, and coal gasification plants unnecessary. We simply do not need maximum feasible expansion of all forms of supply—especially the most costly, nasty, speculative and inflexible kinds.

In short, if we buy an excellent raincoat, as I propose, then we shall not need an umbrella, a tent, and weather modification too. Nor can we afford them all. Of course we need diversity, but we cannot do everything, and if we try, practical constraints will force us to choose priorities. Priorities inevitably advance some options while retarding others. Some options are logistically competitive or are institutionally or culturally incompatible with others—so much as to foreclose them. My article suggests that some *combinations* of options can mesh to form a coherent policy consistent with our needs, while other combinations produce merely a hash. Until Professor Bethe has squarely faced this choice, he will not have begun to apply his physical insight to a public policy problem whose solution would make many other problems fall into place.

CHINA AND EAST ASIA

To the Editor:

As a summation of the history of our relations with East Asia, John Paton Davies' "America and East Asia," in your January issue, is indeed a tour de force. Its particular value, it seems to me, is that it presents that history in the context of our national interests and as seen through experienced and unillusioned eyes. It has been remarked that we make policy at our peril if we make it in disregard of the lessons of history. His article comes at an especially appropriate time.

One might fault Mr. Davies' summation of history on minor points. For example, one might gain from it the impression that our relations with East Asia had been financially profitable to the United States (for he lists, among the benefits it brought, "riches"). Actually, while some individuals profited, our relations with East Asia cost us much treasure as well as blood. But the message comes through loud and clear: we cannot become deeply involved in the affairs of the area without finding ourselves in over our heads.

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Mr. Davies' China policy recommendations, as contained on the last page of his article, invite comparison with those of Jerome Alan Cohen, in your previous issue. The Davies' recommendations, clear-cut and consistent with the thrust of his article, are otherwise supported only by the most spare of comments. Professor Cohen's, on the other hand, are subjected to extended discussion which discloses that he is trying to have his China policy both ways.

Professor Cohen would have us withdraw recognition from Taiwan in the interest of normalizing relations with Peking, and substitute a unilateral defense commitment to Taiwan in place of the 1954 mutual defense treaty—which would be terminated automatically upon the withdrawal of U.S. recognition of the government of the Republic of China. However, his suggestion of a congressional resolution "authorizing in advance any action in defense of Taiwan that might, at the discretion of the President, prove necessary" is entirely too evocative of the Tonkin Gulf resolution of unhappy memory. Moreover, if we had both withdrawn our recognition of Taiwan and recognized the Peking regime, it would be difficult for us to argue that extending a defense guarantee to Taiwan did not constitute a violation of the principle of noninterference in the internal affairs of China—to which we committed ourselves in the Shanghai communiqué.

The persuasiveness of John Davies' policy recommendations derives in part—though only in part—from the absence of detailed supporting argument, which might disclose their strengths and weaknesses. He does not, for example, explore the contradiction between interests of the people of Taiwan and the policies of the Nationalist government or estimate the chances that Taiwan could both gain and maintain a genuinely autonomous status within the People's Republic of China. On the other hand he could have, but did not, make a very persuasive case for his recommendation that we terminate our defense commitment to Taiwan—which, for practical purposes, extends also to the offshore islands with their garrisons totaling perhaps seven divisions. (Incidentally, I wonder what will become of the policy, which the Nixon/Ford Administration followed quietly, of helping Taiwan beef up its own defense capabilities, apparently in preparation for the anticipated termination of the 1954 treaty, which might be accomplished either by one party giving a year's notice or by joint agreement.)

EDWARD E. RICE
Tiburon, California
(Former Deputy Assistant Secretary of State for Far Eastern Affairs)

ARAB VIEWS ON "THE PROTOCOLS"

To the Editor:

In his article entitled "The Anti-Zionist Resolution" (*Foreign Affairs,* October 1976), Professor Bernard Lewis makes the sweeping allegation that "The Protocols of the Elders of Zion" are "universally cited in Arabic literature on Jewish matters." He also asserts, with regard to the Protocols, that: "To my knowledge, its authenticity has never been refuted or even called into question by an Arab writer." One is hard put to figure out how Professor Lewis arrived at these conclusions.

The Research Center of the Palestine Liberation Organization in Beirut is among the leading institutions which publish literature on "Jewish matters." Its

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publications on Judaism and Zionism are many and varied, but none have ever made reference to the Protocols, except perhaps in derogatory terms. Dr. A. Razzuk's study on the Talmud and Zionism vigorously opposes the "conspiratorial view" of the Jews and Zionists.

Likewise, the Institute of Palestine Studies in Beirut has never dealt with this topic nor has it ever engaged in any anti-Jewish diatribes.

Dr. A. Al-Attiyeh, Director of the Palestine Research Center in Baghdad, denounced the Protocols on Iraqi television in the spring of 1974, describing them as of questionable authenticity.

Arab Issues, a periodical published in Damascus by Abdelwahab El-Kayyali who is a leading figure in the Palestinian resistance movement and a PLO member, has also published an article in the same vein.

The Center of Political and Strategic Studies, which is part of *al-Ahram Publishing House* in Cairo, has never published any anti-Semitic material. I worked there for four years as Director of the Zionist Ideology Department and myself authored an article, which appeared in *al-Ahram* in February 1974, titled "The Protocols of the Elders of Zion." In it I traced the "history" of the pamphlet and specifically pointed out that it is believed to be a forgery. Furthermore, the article in question noted that the diversity of the historical experience of the Jewish communities in the world disproves the simplistic theory of "a grand conspiracy" or "a world government" by the Jews. I also noted that the Protocols presented a view of the Jew as a unique entity, existing outside history, a concept that has much in common with the Zionist ideology. This article now constitutes the entry under "The Protocols of the Elders of Zion" in my *Encyclopedia of Zionist Concepts and Terminology: A Critical Review,* published by the Center in February of 1975. The same material was incorporated in my lectures on the economic history of European Jewry, which was published later in the same year by the Institute of Arab Studies affiliated with the Arab League in Cairo.

All this is to underscore the fact that almost all the Arab institutes engaged in Palestinian, Jewish or Zionist studies hold a negative view of the Protocols and classify them as among the more objectionable anti-Semitic literature. Professor Lewis' allegations are typical of the derogatory generalizations one often comes across in the Western press and in literature from Western sources. Regrettably, any action that tends to disprove such allegations is generally ignored in the Western media of information. Last August in Tripoli, Libya, a number of papers delivered at an International Symposium on Zionism and Racism strongly denounced anti-Semitism. . . . An American rabbi, highly critical of Israel, called for its expulsion from the U.N. . . .The credentials of an Argentinian delegate who praised the Protocols were withdrawn and his speech was expunged from the records of the conference. Yet none of this was reported in the Western press.

DR. ABDELWAHAB M. ELMESSIRI
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and American Poetry
Ain Shams University, Cairo

Professor Lewis replies:

It is encouraging to hear from Dr. Elmessiri that there is now some dissent from the long list of presidents, kings, members of governments, party leaders, ideologues, divines, journalists, scholars, and ministries of information, educa-

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tion and culture that have used or endorsed the so-called Protocols of the Elders of Zion. His comments, however, are sadly revealing of the limits of this dissent.

An Iraqi television program, he says, describes the Protocols as "of questionable authenticity." He himself, he tells us, has pointed out in an article that they are "believed to be a forgery." If Dr. Elmessiri, writing in English in the pages of *Foreign Affairs*, cannot bring himself to say outright that the book is an anti-Jewish fake, then one may expect the "denunciations" in Arabic publications to be even more circumspect.

Dr. Elmessiri's article in *al-Ahram* (February 22, 1974, page 4) confirms this impression. "The prevailing opinion at the present time," he says, "is that the Protocols are a forged document." This cautious formulation is a step forward. However, some questions remain. Who forged them and what do they represent? Here Dr. Elmessiri is remarkably equivocal. Apart from some rather ambiguous references to the Bolshevik revolution and the German defeat, there is little indication that the forgers were anti-Jewish and that the Protocols were used by the Nazis and others to justify racist action against the Jews. On the contrary, the unwary reader could be left with the impression that if the Protocols were not actually fabricated by Jews, they nevertheless accurately reflect the image which the Zionists hold of themselves and desire to project to others. Here Dr. Elmessiri sketches the theory which he has developed more fully in other writings—that Zionism and anti-Semitism are the same, that Zionists and anti-Semites are natural allies and collaborators, and thus whether the one or the other was responsible for the Protocols really makes very little difference. As Dr. Elmessiri aptly summarizes his thesis—"Eichmann was a Zionist." By the same reasoning, apartheid is a form of Black nationalism.

As I pointed out in my article, some Arab writers are unhappy with the Protocols, not because they are forged, but because they represent a naïvely personal and conspiratorial and therefore ineffective approach to the problem of Zionism. Dr. Elmessiri has a further concern about the Protocols—that they project a possibly demoralizing image of the Jew as the possessor of immense hidden power. He is ready to consider that they may be a documentary forgery, but insists that they authentically represent Zionist views and aims. The falsity of these, he says, is demonstrated by the October War, which showed how baseless is the image of secret Jewish power and organization. In concluding his article on the Protocols, Dr. Elmessiri observes: "We must know our enemy, but we must not accept his delusions about himself."

In a sentence to which Dr. Elmessiri took exception, I said of the Protocols: "To my knowledge its authenticity has never been refuted or even called into question by any Arab writer." The first part stands; the second needs modification. Dr. Elmessiri has shown that some Arab writers have indeed called its authenticity into question, or rather have shown awareness that others have done so, though with a curious reluctance to abandon it entirely. There is progress—but the careful ambiguity with which this, like some other matters, is presented remains an obstacle to understanding.

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Edward L. Morse

THE POLITICS OF ATTRACTION: FOUR MIDDLE POWERS AND THE UNITED STATES. By Annette Baker Fox. New York: Columbia University Press, 1977, 371 pp. $15.00.

Complementing her earlier work on small powers, Ms. Fox's study scrutinizes relations after World War II between the United States and four "middle" powers: Australia, Brazil, Canada and Mexico. Her careful analysis of the politics of bilateral cooperation in defense, trade, investment and other global issues is followed by a general conclusion arguing that these seemingly lopsided relationships display more intricate patterns and structures of bargaining than has been generally assumed.

JAPAN, AMERICA, AND THE FUTURE WORLD ORDER. Edited by Morton A. Kaplan and Kinhide Mushakoji. New York: Free Press (for the Center for Policy Study, University of Chicago), 1976, 367 pp. $12.95.

A group of distinguished American and Japanese authors systematically examine major bilateral issues. Although the quality of the essays is uniformly high, their orientation is toward the present rather than the future, toward foreign policy rather than world order. Glaringly omitted is a comprehensive examination of bilateral interests in Korea and Taiwan.

PUBLIC PAPERS OF THE SECRETARIES-GENERAL OF THE UNITED NATIONS. VOL. 7: U THANT, 1965–1967. Edited by Andrew W. Cordier and Max Harrelson. New York: Columbia University Press, 1977, 633 pp. $27.50.

Covering the most controversial of U Thant's decisions—the withdrawal of the United Nations Emergency Force from the Middle East—the penultimate volume in this series offers unrivaled source materials. The volume is the last to include the judicious commentary of the late Andrew Cordier, the collection's originator.

PROSPECTS FOR CONSTITUTIONAL DEMOCRACY: ESSAYS IN HONOR OF R. TAYLOR COLE. Edited by John H. Hallowell. Durham (N.C.): Duke University Press, 1976, 197 pp. $9.75.

THE DEATH OF BRITISH DEMOCRACY. By Stephen Haseler. Buffalo: Prometheus Books, 1976, 262 pp. $13.95.

Ethnicity, de-industrialization, governmental inefficiency and abuse of power have raised questions about the viability of democracy in the remaining quarter

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of this century. Haseler's mildly polemical argument is that only a new, popular social democracy can save representative government in Britain from revolutionary Marxism. The essays in Hallowell's edited book provide insights into the problems of democracy in a variety of states. Neither book offers convincing sociological explanations for democracy's tribulations or blueprints for its survival.

THE EURO-AMERICAN SYSTEM: ECONOMIC AND POLITICAL RELATIONS BETWEEN NORTH AMERICA AND WESTERN EUROPE. Edited by Ernst-Otto Czempiel and Dankwart A. Rustow. Boulder (Colo.): Westview Press, 1976, 236 pp. $25.00.

A dozen European and American specialists speculate on the institutional needs of what has often been called the Atlantic Community. The debate is not as new as the editors—or the energy crisis—seem to imply. The volume would have benefited from more stimulating arguments and better proofreading.

AMERICAN LABOR AND EUROPEAN POLITICS: THE AFL AS A TRANSNATIONAL FORCE. By Roy Godson. New York: Crane, Russak, 1976, 214 pp. $14.50 (Paper, $7.95).

While many persons argue that nongovernmental groups now wield unprecedented international influence, few have studied in detail whether and how transnational forces really work. Using previously unexamined records, Godson provides new insights and evidence on the AFL's activities in Europe, and especially France, in the late 1940s. His more general judgments on the effectiveness of the AFL's international operations or on the historiography of post-World War II are, however, not entirely convincing.

GENOCIDE: STATE POWER AND MASS MURDER. By Irving Louis Horowitz. New Brunswick (N.J.): Transaction Books, 1976, 80 pp. $5.95.

Regimes of discrimination and terror will continue to pose critical social and political dilemmas for those who place premiums on humanitarian and human rights values. Professor Horowitz's essay casts a wide net over "life and death" social issues, but neither his musings nor his cumbersome typology fully address the normative questions he initially raises.

MARINE POLICY AND THE COASTAL COMMUNITY. Edited by Douglas M. Johnston. New York: St. Martin's, 1976, 336 pp. $18.95.

A useful compilation of essays, logically linked to form a coherent whole. Especially useful are the studies of the marine economy and marine resource conflicts.

INTERNATIONAL SPACE LAW. By A. S. Piradov. Moscow: Progress, 1976, 271 pp. (Chicago: Imported Publications, distributor, $3.50).

It is a long road from classical Marxist-Leninism to international problems in the uses of space. Appropriately but surprisingly, there are no references to Marx, Engels, or Lenin in this lucid tract. Especially noteworthy is the summarized Soviet position on satellite broadcasting.

THE SYSTEM OF THE INTERNATIONAL ORGANIZATIONS OF THE COMMUNIST COUNTRIES. By Richard Szawlowski. Leiden: Sijthoff, 1976, 352 pp. $32.75.

Perhaps the handiest reference on the major and minor international institutions built around the Soviet Union and its allies and trading partners, this book includes the texts of 22 treaties and agreements as well as commentaries. The political and economic analysis is superficial but does not detract from the utility of the book.

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General: Military, Technological, and Scientific

Andrew J. Pierre

CONTROLLING THE CONVENTIONAL ARMS RACE. By THE UNA-USA NATIONAL POLICY PANEL ON CONVENTIONAL ARMS CONTROL. New York: United Nations Association of the United States of America, 1976, 87 pp. $2.00.

Fresh advice, which may influence President Carter's policies, is given by a panel which includes several officials of the new Administration, including Cyrus Vance. Among the many recommendations are: negotiations with the Soviet Union on limiting naval deployments in the Indian Ocean; a reduction of tactical nuclear weapons in Europe; quantitative and qualitative restraints on U.S. arms transfers; and a Soviet-American negotiated freeze on defense spending and conventional force levels. Due to its brevity, the report is necessarily assertive rather than analytical, but its value lies in its suggestion of relatively new and important avenues for arms control.

A SCIENTIST AT THE WHITE HOUSE. By GEORGE B. KISTIAKOWSKY. Cambridge: Harvard University Press, 1976, 448 pp. $15.00.

A remarkable day-to-day account of Kistiakowsky's 18 months (1959–60) as Eisenhower's special assistant for science and technology during the post-Sputnik resurgence of interest in the military applications of science and technology. Rivaling (almost, but not quite) the Lilienthal journals in richness, depth and personal detail, this diary will be essential reading for students of decision-making in this period. Charles S. Maier provides a superb 67-page introduction which places the diary in the political and international setting of the Eisenhower years.

THE GAME OF DISARMAMENT: HOW THE UNITED STATES AND RUSSIA RUN THE ARMS RACE. By ALVA MYRDAL. New York: Pantheon, 1977, 397 pp. $15.00.

A book worthy of its author. For years in the Geneva forum, Alva Myrdal has been the conscience of the superpowers, pointing out the limitations of the "arms control" approach and making the case for "disarmament." Although her arguments are not persuasive to many who would regard them as politically naïve, they are strongly stated and well-rooted in knowledge of the issues.

THE FUTURE OF SOVIET MILITARY POWER. EDITED BY LAWRENCE L. WHETTEN. New York: Crane, Russak, 1976, 190 pp. $14.50.

Debate and concern about the growth of Soviet military power has increased measurably since these essays were first drafted two years ago. Timely, therefore, and also comprehensive in dealing with most aspects of the subject. To be followed by a companion piece on the political implications of the increase in Moscow's military might.

TOWARDS RATIONALIZING ALLIED WEAPONS PRODUCTION. By GARDINER TUCKER WITH THE ASSISTANCE OF FABIO BASAGNI. Paris: The Atlantic Institute for International Affairs, 1976, 54 pp. $3.50.

Few defense issues receive more hortatory attention than the need for "standardization" in NATO, yet with few is it as difficult to achieve real progress. The value of this study is that it faces squarely the conceptual differences between a "European" or "Atlantic" approach toward weapons cooperation, suggesting how they need not be incompatible. Compared to the Callaghan Report's argument for a "two-way street," this AIIA paper is more analytical, more realistic, and hence more persuasive. The tough problems in making the purchase of foreign arms acceptable in the U.S. still need more attention.

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OFFENSE AND DEFENSE IN THE INTERNATIONAL SYSTEM. By George H. Quester. New York: Wiley, 1977, 219 pp. $10.95 (Paper, $6.95).

This analysis of offensive and defensive military strategies from Greece and Rome to the present will be of particular interest to scholars. Although the study is necessarily impressionistic in its broad sweep, Quester's deductions are stimulating and challenging.

NATIONS IN ARMS: THE THEORY AND PRACTICE OF TERRITORIAL DEFENSE. By Adam Roberts. New York: Praeger, 1976, 288 pp. $18.50.

The author has probably given more hard thought, over more years, than anyone else to the use of nonprofessional, "citizen" armies in guerrilla-type warfare for national defense. Much of the discussion uses Sweden and Yugoslavia as examples. A solid, definitive work published under the auspices of the International Institute for Strategic Studies.

A SHORT HISTORY OF GUERRILLA WARFARE. By John Ellis. New York: St. Martin's, 1976, 220 pp. $8.95.

Although this latest addition to the burgeoning shelves on guerrilla warfare contributes little that is new, the author does come down with a firm conclusion that guerrilla tactics are not a reliable way of seizing power or throwing out an invader.

DEVELOPING THE ICBM: A STUDY IN BUREAUCRATIC POLITICS. By Edmund Beard. New York: Columbia University Press, 1976, 273 pp. $15.00.

With exemplary scholarship the author dissects the development of the ICBM, concluding that organizational resistance delayed it because of the airmen's preference for the manned bomber. A solid addition to the growing literature on the interrelation of politics, strategy and weapons decision-making.

WINNERS AND LOSERS. By Gloria Emerson. New York: Random House, 1977, 406 pp. $10.95.

An overly long and wandering, yet poignant account—related through a series of vignettes—of the impact of the Vietnam War upon the GIs, the Vietnamese, the Americans back home, and implicitly upon the author. Powerful, if flawed.

THE NIGHT WATCH. By David Atlee Phillips. New York: Atheneum, 1977, 320 pp. $10.95.

PORTRAIT OF A COLD WARRIOR. By Joseph B. Smith. New York: Putnam, 1976, 448 pp. $10.95.

Each of these books has been written by an ex-CIA senior officer with 25 years service in the agency, mostly on the clandestine side. Smith's is more critical and disillusioned, decrying the arrogance and career opportunism which he claims have overtaken the CIA. Phillips, who was in charge of Latin American operations during the Allende years, is now President of the Association of Retired Intelligence Officers. Though unabashedly supportive of the agency, his is nevertheless a more interesting and intelligent work.

NIMITZ. By E. B. Potter. Annapolis: Naval Institute Press, 1976, 507 pp. $16.95.

A SAILOR'S ADMIRAL: A BIOGRAPHY OF WILLIAM F. HALSEY. By James M. Merrill. New York: Crowell, 1976, 271 pp. $9.95.

On Nimitz as Commander in Chief of the Pacific Fleet and Halsey as his Deputy for the South Pacific force fell much of the responsibility for waging the naval war against Japan. These volumes make clear that they were both men of great character and competence, but Nimitz has been better served by his biographer.

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OUR ENERGY FUTURE: THE ROLE OF RESEARCH, DEVELOPMENT, AND DEMONSTRATION IN REACHING A NATIONAL CONSENSUS ON ENERGY SUPPLY. By Don E. Kash, Michael D. Devine, and others. Norman: University of Oklahoma Press, 1976, 489 pp. $19.95 (Paper, $5.95).

A comprehensive, well-organized presentation of the alternatives for increasing the supply of energy from domestic resources in the United States. A useful work for the non-specialist who wants to acquire greater technical competence on this complex but critical subject. Priorities are delineated.

General: Economic and Social

William Diebold, Jr.

THE INTERNATIONAL MONETARY SYSTEM: 1945–1976. AN INSIDER'S VIEW. By Robert Solomon. New York: Harper, 1976, 381 pp. $17.50.

This is the most authoritative account we have of the great trek from Bretton Woods to Jamaica. As a key official of the Federal Reserve Board, the author was deeply involved in most of the episodes of crisis and reform in the 1960s and 1970s. There are no indiscreet revelations but simply first-hand details, sharp appraisals of some leading participants and, above all, good economics and clear writing. The step-by-step treatment that combines narrative and analysis will make the book a major reference work for a long time to come.

RIO: RESHAPING THE INTERNATIONAL ORDER. A REPORT TO THE CLUB OF ROME. Coordinated by Jan Tinbergen. New York: Dutton, 1976, 325 pp. $4.95 (Paper).

Unlike the two earlier reports to the Club of Rome, this one emphasizes development, distribution and improved welfare that will require a good deal of economic growth. An uneven document, it can sometimes be quoted against itself; the tone is, in turn, hortatory, pragmatic, defiant and sweet. Different readers will detect different biases in the discussion of many familiar issues. These defects of committee work, however, should not obscure the need to consider carefully the "proposals for action" of Professor Tinbergen's group, which are stated more carefully than some others—and are therefore more challenging.

SHARING THE WORLD'S RESOURCES. By Oscar Schachter. New York: Columbia University Press, 1976, 144 pp. $7.95.

The many senses of "equity" and their relation to entitlements and national interests provide a major theme of this enlightening exploration. Legal learning, a philosophical turn of mind, and years in the United Nations equip Professor Schachter to deal equally well with justice and political acceptability in such matters as oceans, food, raw materials and the environment.

THE TROPICS AND ECONOMIC DEVELOPMENT: A PROVOCATIVE INQUIRY INTO THE POVERTY OF NATIONS. By Andrew M. Kamarck. Baltimore: Johns Hopkins, 1977, 113 pp. $7.50 (Paper, $3.00).

Much of the underdeveloped area of the world is in the tropics. Most tropical countries are underdeveloped. The two facts strongly suggest a connection so largely ignored in discussions of the obstacles to development that Mr. Kamarck, with long experience at the World Bank and a fine command of the literature, somewhat reluctantly felt obliged to study it. The result is a stimulating work that points to many needs and possibilities. It appears to be the first book in English on the subject since that by Douglas H. K. Lee, published by the Council on Foreign Relations 20 years ago (*Foreign Affairs*, April 1957).

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THE EUROPEAN MULTINATIONALS. By Lawrence G. Franko. Stamford (Conn.): Greylock, 1976, 352 pp. $16.95.

This major addition to the many books on multinationals concentrates on the 85 largest from the Continent. Many statistics and a good bit of history provide a comparison with American firms that shows the Europeans more concerned with trade barriers and raw materials and more shaped by government policies. Politics, company organization, relations with developing countries, and a fresh look at the Common Market are also covered.

INTERNATIONAL REGULATION OF MULTINATIONAL CORPORATIONS. By Don Wallace, Jr. New York: Praeger, 1976, 233 pp.

A good deal of familiar and general material surrounds a few chapters focusing on specific questions about possible forms of international response to the feeling that "there ought to be a law" about multinationals. It is not too likely that there will be, says Professor Wallace of Georgetown.

MEZHDUNARODNYE KORPORATSII V MIROVOI EKONOMIKE. By I. V. Ivanov. Moscow: Mysl, 1976, 214 pp. Kop. 89.

A Soviet economist, using copious material from Western and U.N. sources, exposes the multinational corporations: their size, structure, monopolistic power, ties with governments, and role as spearheads of imperialism.

J.C.C.

SEABED MINERAL RESOURCES AND THE ECONOMIC INTERESTS OF DEVELOPING COUNTRIES. By Danny M. Leipziger and James L. Mudge. Cambridge: Ballinger, 1976, 240 pp. $16.50.

Two U.S. aid officials have produced a very good piece of work that offers a large body of fact, interesting calculations, succinct analysis and sensible proposals.

WORLD MINERAL SUPPLIES. Edited by G. J. S. Govett and M. H. Govett. Amsterdam and New York: Elsevier, 1976, 451 pp. $34.75.

ECONOMICS OF RESOURCES. Edited by Robert D. Leiter and Stanley L. Friedlander. New York: Cyrco Press, 1976, 212 pp. $10.00

The Govetts' volume, written mostly by geologists and engineers, is a valuable survey and reference work. Its emphasis on the technology of exploration is a fine contribution to the debate about shortages. The CUNY economists deal well with some fundamentals but range irregularly over a number of fields.

BRITAIN'S ECONOMIC PROBLEM: TOO FEW PRODUCERS. By Robert Bacon and Walter Eltis. New York: St. Martin's, 1976, 194 pp. $14.95.

THE RISE OF THE CORPORATE ECONOMY: THE BRITISH EXPERIENCE. By Leslie Hannah. Baltimore: Johns Hopkins, 1976, 243 pp. $15.00.

INFLATION. By John Flemming. New York: Oxford University Press, 1976, 136 pp. $6.75 (Paper, $3.50).

Here are three (partial) diagnoses of the British disease that may have a bearing on other industrial societies as well. In a work that has attracted a lot of attention, Bacon and Eltis of Oxford see a deadly combination in the decline of employment and investment in the production of commercial goods and services while spending rises on public goods and services. Hannah of Cambridge is interesting and judicious about concentration, restrictive practices, and government-business relations. Flemming, of Oxford and the Bank of England, transcends the clichés and shows how complex a phenomenon inflation is.

THE POLITICAL ECONOMY OF EAST-WEST TRADE. By Connie M. Friesen. New York: Praeger, 1976, 203 pp. $18.50.

TECHNOLOGY TRANSFER TO EAST EUROPE: U. S. CORPORATE EXPERIENCE. By Eric W. Hayden. New York: Praeger, 1976, 134 pp. $16.50.

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The first of these books is a good comprehensive survey, using material from both sides. Hayden's solid contribution is to describe the motives, negotiations and arrangements of American firms in industrial cooperation in Eastern Europe with specific reference to Poland and Romania.

EUROCURRENCIES AND THE INTERNATIONAL MONETARY SYSTEM. Edited by Carl H. Stem, John H. Makin, and Dennis E. Logue. Washington: American Enterprise Institute, 1976, 413 pp. $12.00 (Paper $5.00).

By bringing together an excellent group of economists and ably reporting their (sometimes technical) discussion, the U.S. Treasury and the American Enterprise Institute have produced a first-rate summary of agreements, disagreements and ignorance on some major issues.

COMPARATIVE PATTERNS OF FOREIGN POLICY AND TRADE: THE COMMUNIST BALKANS IN INTERNATIONAL POLITICS. By Cal Clark and Robert L. Farlow. Bloomington: Indiana University International Development Research Center, 1976, 152 pp. $6.00 (Paper).

INTEGRATION IM RAT FÜR GEGENSEITIGE WIRTSCHAFTSHILFE. By Jochen Bethkenhagen and Heinrich Machowski. Berlin: Berlin Verlag, 1976, 135 pp.

Clark and Farlow show that simple hypotheses about the relation of economics to politics do not explain more than the most obvious features of the foreign trade patterns of Yugoslavia, Romania, Bulgaria and Albania. But in the process they analyze some very interesting material. The two West Berlin authors provide the best up-to-date survey of COMECON that we have.

TRENDS IN THE SOVIET OIL AND GAS INDUSTRY. By Robert W. Campbell. Baltimore: Johns Hopkins, 1977, 125 pp. $10.00.

ENERGY POLICIES OF THE WORLD: VOL. I. Edited by Gerard J. Mangone. New York: Elsevier, 1976, 387 pp. $19.50.

THE CONTROL OF OIL. By John Blair. New York: Pantheon, 1977, 441 pp. $15.00.

Robert Campbell's is the most authoritative Western analysis of Soviet experience since 1965, with succinct interpretations of detailed data. Canada, China, the Gulf States, Iran and Venezuela are covered by separate authors in the Mangone volume. The late John Blair's book reflects the more than 30 years he spent in the U.S. government investigating the oil industry and trying to find ways to make it competitive.

THE EEC AND THE MEDITERRANEAN COUNTRIES. Edited by Avi Shlaim and G. N. Yannopoulos. New York: Cambridge University Press, 1976, 352 pp. $27.50.

Who benefits from the discriminatory trading arrangements the Community has established with Mediterranean countries, and at what cost to the rest of the world, are shown by this valuable collection of papers to be questions that are as controversial for analysis as they have been politically.

The United States

Gaddis Smith

AMERICA IN OUR TIME: FROM WORLD WAR II TO NIXON. By Godfrey Hodgson. New York: Doubleday, 1976, 564 pp. $12.95.

An urbane and intelligent discussion, by a distinguished British journalist, of the shifting social and ideological foundations of American politics since 1945. The American people, says the author, must for the first time accept "the limits of human possibility," erecting a new consensus "on the ruins of illusion."

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REMAKING FOREIGN POLICY: THE ORGANIZATIONAL CONNECTION. By Graham Allison and Peter Szanton. New York: Basic Books, 1976, 238 pp. $10.95.

The authors argue persuasively that "organization matters." They see the basic structures of American foreign policy, created in the 1940s, as now unbalanced, incompetent and inchoate. Their proposals include a new role for the Department of State as advocate for the comprehensive interests of an interdependent world.

ORGANIZING THE PRESIDENCY. By Stephen Hess. Washington: Brookings, 1976, 228 pp. $10.95 (Paper, $3.95).

Gemlike case studies of how individual presidencies from Truman through Nixon were organized, with the recommendation of "a more collegial presidency" with greatly enhanced responsibilities for Cabinet officers.

BLIND AMBITION: THE WHITE HOUSE YEARS. By John Dean. New York: Simon and Schuster, 1976, 415 pp. $11.95.
CHIEF COUNSEL: INSIDE THE ERVIN COMMITTEE—THE UNTOLD STORY OF WATERGATE. By Samuel Dash. New York: Random House, 1976, 275 pp. $10.00.
THE AMERICAN POLICE STATE: THE GOVERNMENT AGAINST THE PEOPLE. By David Wise. New York: Random House, 1976, 437 pp. $12.95.

Three important Watergate books. John Dean paints a candid picture of the sickening moral bankruptcy which permeated the White House and to which he contributed. His memory of who said what and to whom is astounding. Samuel Dash provides a comprehensive account of how the Committee operated and what he thought and did as chief counsel. David Wise, an old hand at bringing light to bear on the clandestine, compiles the seemingly endless infringements by government agencies of the liberties of American citizens during the Nixon years.

AS IT WAS: AN INSIDE VIEW OF POLITICS AND POWER IN THE '50s AND '60s. By Henry Cabot Lodge. New York: Norton, 1976, 224 pp. $8.95.

A pastiche of interesting excerpts from diaries, letters, memoranda, recollections, even jokes from and about the Eisenhower era. A scrapbook rather than sustained analysis.

AMERICAN OPINION AND THE RUSSIAN ALLIANCE, 1939–1945. By Ralph B. Levering. Chapel Hill: University of North Carolina Press, 1976, 262 pp. $17.95.

An interesting study based on a broad range of sources, intelligently selected. The author emphasizes the differences between what he calls "cosmopolitans" and "provincials." The former were hopeful about the future of Soviet-American relations, the latter were less informed and more suspicious. Roosevelt was a cosmopolitan; Truman a provincial.

A LOYAL OPPOSITION IN TIME OF WAR: THE REPUBLICAN PARTY AND THE POLITICS OF FOREIGN POLICY FROM PEARL HARBOR TO YALTA. By Richard E. Darilek. Westport (Conn.): Greenwood Press, 1976, 239 pp. $14.95.

This book examines "when, how and why" the Republicans, as the opposition party, opted for bipartisanship in foreign policy during World War II.

MOBILIZING CONSENT: PUBLIC OPINION AND AMERICAN FOREIGN POLICY 1937–1947. By Michael Leigh. Westport (Conn.): Greenwood Press, 1976, 187 pp. $14.50.

A theoretical and empirical exploration of the "linkages" between public opinion and foreign policy decisions. Using case studies from 1937 to 1947, the

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author concludes that the constraints of public opinion diminish as the government increases the supply of information it provides to the public.

THE COMMITTEE OF ONE MILLION: "CHINA LOBBY" POLITICS, 1953–1971. By Stanley D. Bachrack. New York: Columbia University Press, 1976, 370 pp. $14.95.

An interesting, if somewhat woodenly written, reconstruction of how a very few individuals created and managed a famous lobby to support the cause of Nationalist China. The author has some evidence that the CIA may have played a role in the Committee.

20TH CENTURY JOURNEY: A MEMOIR OF A LIFE AND THE TIMES. THE START, 1904–1930. By William L. Shirer. New York: Simon and Schuster, 1976, 510 pp. $12.50.

Most of this warm and humane memoir by one of the century's most distinguished foreign correspondents deals with his years in Europe, especially Paris, 1925–1930. More to come.

AMERICA'S MOMENT: 1918. By Arthur Walworth. New York: Norton, 1977, 309 pp. $14.95.

The Paris Peace Conference of 1919 was the most portentous diplomatic gathering of this century. But its outcomes, as the author shows, were largely predetermined by the way the United States used and misused its power in the few months between the end of the war and the opening of the conference. A painstaking and deeply informative book.

THE LIFE AND DEATH OF THE COLD WAR: SELECTED STUDIES IN POSTWAR STATECRAFT. By Morton A. Kaplan. Chicago: Nelson-Hall, 1977, 301 pp. $17.50.

Most of the chapters in this book were written in 1954 and 1955. The material is published now to "explode" the myths of revisionists. The purpose is not achieved. The studies are flatfooted and not particularly enlightening or analytical.

AMERICA'S MASS MEDIA MERCHANTS. By William H. Read. Baltimore: Johns Hopkins, 1977, 209 pp. $10.95.

A pathbreaking study of the ubiquitous nature of American film, television, and print media around the globe, creating "an increasing level of mutual sensitivity among the peoples of the world" through "a loosely arranged central nervous system comprised of American-operated, American-affiliated, or American-inspired mass media." The results, the author concludes, are on balance beneficial to mankind. This is an important book which should encourage further examination of this interesting subject.

ROOSEVELT'S REVOLUTION: THE FIRST YEAR. By Rexford G. Tugwell. New York: Macmillan, 1977, 327 pp. $14.95.

A delightful recollection of FDR, and his genius for human improvisation, by a member of the "Brains Trust." Mr. Tugwell was born in 1891. His writing, always good, gets better with each book.

The Western Hemisphere

Robert D. Crassweller

WILLIAM LYON MACKENZIE KING. VOL. III, 1932–1939: THE PRISM OF UNITY. By H. Blair Neatby. Toronto: University of Toronto Press, 1976, 366 pp. $19.95.

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This installment of an excellent biography depicts King's method as Prime Minister to be that of compromise and procrastination, in an endless effort to sustain Canadian unity. That goal explains both his response to the Depression at home and his quasi-isolationist stance in the face of impending war in Europe.
G.S.

THE UNITED STATES AND THE SOUTHERN CONE: ARGENTINA, URUGUAY, AND CHILE. By Arthur P. Whitaker. Cambridge: Harvard University Press, 1977, 616 pp. $20.00.

Broad in scope, balanced and judicious, well researched, and written with clarity and grace, this is a work of the highest quality. The period covered for each of the three Southern Cone countries extends from 1810 to the military takeover in Argentina in March 1976.

ARMIES AND POLITICS IN LATIN AMERICA. Edited by Abraham F. Lowenthal. New York: Holmes & Meier, 1976, 356 pp. $22.00 (Paper, $9.00).

Military involvement in politics is now seen as a many-faceted phenomenon, far more complicated than earlier simplistic analyses indicated. These 12 essays, of varying interest for the general reader, explore the subtleties, and stress the relationship of the "military institutions themselves to the social context in which they operate," and the nature and extent of the institutionalization of the civilian political process.

UNITED STATES POLICY TOWARD LATIN AMERICA: ANTECEDENTS AND ALTERNATIVES. Edited by Lewis A. Tambs. Tempe: Arizona State University, 1976, 220 pp.

The field covered by these 13 papers extends from Panama and Cuba to SELA and the OAS to financial flows and technological aspects, with some emphasis on the duality of U.S. idealism and realpolitik, and the predominance of U.S. and Brazilian influence.

REVOLUTION & REACTION IN CUBA 1933–1960. By Samuel Farber. Middletown (Conn.): Wesleyan University Press, 1976, 283 pp. $15.95.

Analyzing the Cuban revolution and its structural background from a revolutionary democratic-socialist perspective, the author defines the Castro regime, disapprovingly, as Bonapartist. Cuba is "a new totalitarian and bureaucratic state in which one man, with the aid of a small group of associates, controls the economic, social and political life in the country."

CASTROISM AND COMMUNISM IN LATIN AMERICA, 1959–1976. By William E. Ratliff. Washington: American Enterprise Institute/Stanford: Hoover Institution, 1976, 240 pp. $4.00 (Paper).

The author believes that the three major currents of hemispheric Marxist-Leninist theory are converging; and that the strife they engender is at a low point, because of changes on the international scene, countermeasures by local military governments, and shifting relationships among the leading communist powers.

THE ECONOMIC DEVELOPMENT OF PANAMA: THE IMPACT OF WORLD INFLATION ON AN OPEN ECONOMY. By Robert E. Looney. New York: Praeger, 1976, 248 pp. $22.50.

The principal topics analyzed here, for the benefit of technically oriented specialists in economics, are monetary and fiscal policy, balance of payments, export-import activity, and demography.

WORKERS' STRUGGLE IN PUERTO RICO: A DOCUMENTARY HISTORY. By Angel Quintero Rivera. New York: Monthly Review Press, 1977, 236 pp. $11.95.

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The treatment, covering 1904–1973, and colored by a strong socialist-anarchist commitment, is impressionistic, lively and highly emotional.

CARIBBEAN INTEGRATION AND DEVELOPMENT. By William G. Demas. Jamaica: University of the West Indies, 1976, 159 pp. J $6.50 (Paper).

The highly respected author, now Chancellor of the University of Guyana, has assembled 12 of his essays, written between 1960 and 1975, in the fields of economics, development, multinational corporations, and education. As usual, Demas's writing is thoughtful and jargon-free.

ARGENTINA, 1943–1976. By Donald C. Hodges. Albuquerque: University of New Mexico Press, 1976, 207 pp. $9.95 (Paper, $4.95).

A professor of philosophy, with a revolutionary and Marxist view, assesses the factions contending within the Argentine far Left, with numerous comments and comparisons pertaining to Cuban and other radical precedents. A restructured Peronist movement of the Left is discussed. A bit theoretical, but not technical.

AUTHORITARIANISM AND CORPORATISM IN LATIN AMERICA. Edited by James M. Malloy. Pittsburgh: University of Pittsburgh Press, 1977, 549 pp. $5.95 (Paper).

Sixteen essays, evolved from papers delivered at an April 1974 conference of social scientists, provide a conceptual framework for "modernizing authoritarian" regimes in eight South American countries plus Mexico and the Dominican Republic. The tone is academic.

Western Europe

Fritz Stern

GOLD AND IRON: BISMARCK, BLEICHRÖDER, AND THE BUILDING OF THE GERMAN EMPIRE. By Fritz Stern. New York: Knopf, 1977, 620 pp., $17.95.

Based on years of research, chiefly in widely separated private collections, this book gives flesh to a neglected dimension: private money and our understanding of Bismarck's policy and the Prussian society of the period. The second theme concerns Bleichröder the Jew, at first epitomizing the gains briefly possible for Jews in mid-nineteenth century Germany, but in the end caught up (despite his own fervent conservatism and patriotism) in the tide of anti-Semitism that swept the Right from the 1870s onward. Professor Stern's treatment of both themes is masterly, and the book at least a minor classic.

W.P.B.

HITLER AMONG THE GERMANS. By Rudolph Binion. New York: Elsevier, 1976, 207 pp. $20.00.

An intriguing, carefully researched psychohistorical essay relating Hitler's several traumas (a Jewish doctor's "poisoning" of his mother followed by his own gas poisoning in World War I) to his anti-Semitism and to his hold on the German people. A serious, if somewhat dogmatic, work that needs to be assessed in the light of historical and psychological scholarship.

DIE BEIDEN DEUTSCHEN STAATEN IN DER WELTPOLITIK. By Curt Gasteyger. Munich: Piper, 1976, 193 pp.

A Swiss political scientist presents a comparative study of how the two Germanys view and conduct their foreign relations and how their separate existence affects Europe. The German question, he argues rather persuasively, has largely become a social question, a competition between two systems regarding their social adequacy. A careful and, in a sense, pioneering effort.

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L'ALLEMAGNE SELON WILLY BRANDT. By Henri Ménudier. Paris: Stock, 1976, 454 pp. Fr. 48.

An odd but thoughtful mélange of interviews and commentaries by a French Germanist, designed to reduce the still-pervasive misinformation that Frenchmen of most political persuasions harbor regarding their neighbors.

GERMANY AND THE LEAGUE OF NATIONS. By Christoph M. Kimmich. Chicago: University of Chicago Press, 1976, 266 pp. $17.50.

The central theme is the history of Germany's relations with the League, both before it joined in 1926 and for the seven years it was an active member until Hitler announced Germany's withdrawal; but the broad context is carefully delineated as well, and thus the book affords an authoritative commentary on interwar politics. Meticulously researched, elegantly written, and shrewdly analyzed, this is a model monograph.

FRITZ ERLER CONTRA WILLY BRANDT. By Hans Erler. Stuttgart: Seewald, 1976, 209 pp. DM. 19.80.

A more passionate than reasoned attack on Brandt's alleged pro-Marxist and pro-leftist course and his deception in claiming the legacy of the author's father, Fritz Erler, who embodied non-Marxian, ethical socialism. A polemic that documents the latent and not so latent splits in German socialism.

THE GERMAN LEFT SINCE 1945: SOCIALISM AND SOCIAL DEMOCRACY IN THE GERMAN FEDERAL REPUBLIC. By William D. Graf. New York: Oleander Press, 1976, 318 pp. $27.95 (Paper, $13.95).

A rather unpersuasive, leftist critique of the Social Democrats' abandonment of socialism since 1945; the book should be read in conjunction with Erler's (see above), as a reminder that the SPD has enemies on both sides.

MARCH 1939: THE BRITISH GUARANTEE TO POLAND. By Simon K. Newman. New York: Oxford University Press, 1976, 253 pp. $14.25.

Yet another revisionist account of Britain's search for a policy toward Hitler's Germany. The author of this scholarly work seems to suggest that Hitler presented a lesser danger than had hitherto been assumed. Does distance always improve perspective?

THE 1975 REFERENDUM. By David Butler and Uwe Kitzinger. New York: St. Martin's, 1976, 315 pp. $15.95.

Two British dons who for years have sought to analyze or shape British politics study the referendum on the EEC, the first such referendum in the history of Britain. They do so in a most readable fashion, focusing on the referendum as "a crucial turning point in Britain's relations with Europe, as an episode in the continuing processes of British political life, and as a constitutional innovation." A work of considerable importance.

BRITISH SOCIAL DEMOCRACY. By David Howell. New York: St. Martin's, 1976, 320 pp. $16.95.

A short, critical account of Labour policies in this century, with the clear suggestion that time has at last run out for the traditional prescription: "The history of Labour policy-making is essentially one of moderate policies attached to potentially radical symbolism."

MALRAUX: LIFE AND WORK. Edited by Martine de Courcel. New York: Harcourt Brace Jovanovich, 1976, 284 pp. $12.95.

The many aspects of Malraux's adventure in life recollected and analyzed by many competent hands, Malraux included. Sir Isaiah Berlin recalls "that particular sensation, which one has with certain types of men touched by genius . . . an enormous heightening of vitality. . . . " A fine introduction to one of the great lives of our century.

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FASCISM: AN INFORMAL INTRODUCTION TO ITS THEORY AND PRACTICE. By Renzo De Felice. New Brunswick (N.J.): Transaction Books, 1976, 128 pp. $5.95.

A fascinating dialogue between Italy's foremost biographer of Mussolini and American historian Michael Ledeen: the heart of the book deals with the various aspects of fascism and with the mind and method of an historian. De Felice holds the unconventional view that fascism was the expression "of the petite bourgeoisie in its ascendancy—not in crisis. . . ."

BEYOND DÉTENTE: PROSPECTS FOR EAST-WEST COOPERATION AND SECURITY IN EUROPE. Edited by Nils Andrén and Karl E. Birnbaum. Leiden: Sijthoff, 1976, 198 pp. $18.50.

An unusually successful (and expensive) symposium on various aspects of European politics in the context of East-West relations. Complementary essays by distinguished specialists—including Christoph Bertram, Pierre Hassner, Marshall Shulman, and Karl Birnbaum—are stimulating and informative.

ALLIANZ IM WANDEL. By Dieter Dettke. Frankfurt am Main: Metzner, 1976, 244 pp.

A thoughtful analysis of the changing character of the U.S.-West European alliance, especially in the years since 1969; this scholarly effort also provides a commentary on the recent literature on the subject.

THE FUTURES OF EUROPE. Edited by Wayland Kennet. New York: Cambridge University Press, 1976, 242 pp. $14.95.

In 1974, the then Commissioner of the EEC, Ralf Dahrendorf, suggested the need for a systematic effort at forecasting likely developments in leading fields facing the Community—a project that came to be known as "Europe plus Thirty." A team of experts was assembled, and this book is the first fruit, analyzing the nature of forecasting and the type of forecasts needed, from climate to defense, education to environment. A lively beginning.

L'EUROPE DES CRISES. By Robert Triffin, Raymond Aron, Raymond Barre and René Ewalenko. Brussels: Bruylant, 1976, 171 pp. B. Fr. 450.

Lectures given in Brussels and, in a sense, about Brussels, in 1974–75. The editing is haphazard, but Raymond Aron's reflections on the state of Europe are enlightening, and Raymond Barre's brief comments on "Europe confronts inflation and recession" gain in importance by his subsequent appointment as French Premier.

LES POLITIQUES EXTERIEURES EUROPEENNES DANS LA CRISE. Edited by Alfred Grosser. Paris: Presses de la Fondation Nationale des Sciences Politiques, 1976, 197 pp. Fr. 85.

A symposium of well-known French analysts describes and compares the foreign policies of the four major states of Western Europe in the 1970s, within the context of common economic problems. Alfred Grosser provides the setting, and Pierre Hassner a stimulating essay on the different political strategies toward the East.

JUGEND IM ZEITBRUCH: WOHER-WOHIN? By Klaus Mehnert. Stuttgart: Deutsche Verlags-Anstalt, 1976, 512 pp. DM. 29.80.

A veteran commentator on world communism turns to a subject which has always fascinated him: the course and character of the youth movement, chiefly in the United States and Europe. Essentially a popular, impressionistic, even facile work, it tries to assess the permanent importance of the changes wrought in our society.

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LES TRAVAILLEURS ÉTRANGERS EN EUROPE OCCIDENTALE. Edited by Philippe J. Bernard. The Hague: Mouton, 1976, 416 pp. $14.75.

The record of a 1974 symposium on diverse aspects of the presence of foreign workers in the developed countries of Europe. Essays in French and English concentrate on socioeconomic problems.

The Soviet Union and Eastern Europe

John C. Campbell

THE DYNAMICS OF SOVIET POLITICS. Edited by Paul Cocks, Robert V. Daniels and Nancy Whittier Heer. Cambridge: Harvard University Press, 1977, 427 pp. $17.50.

This book deserves a wide and careful reading. Although it lacks internal unity, since each specialized scholar does his own thing, most of the contributions push out the frontiers of research on the Soviet Union and the think-pieces reveal real thinking.

CLASS STRUGGLES IN THE USSR: FIRST PERIOD 1917–1923. By Charles Bettelheim. New York: Monthly Review Press, 1976, 567 pp. $18.95.

A fundamental Marxist reinterpretation of the early years of the Soviet regime. Bettelheim's lengthy and elaborate argument, supported by a vast knowledge of the period and its source material, maintains that the Bolsheviks, despite the genius of Lenin, were not able to carry through the class struggle and consolidate the dictatorship of the proletariat.

THE SECRET POLICE IN LENIN'S RUSSIA. By Lennard D. Gerson. Philadelphia: Temple University Press, 1976, 332 pp. $15.00.

The grim record of the Cheka-GPU in defending the Revolution; i.e., in suppressing domestic opposition to the party line and leadership in the period 1917–24, is largely the story of the organizing genius and ruthless efficiency of the super-cop Felix Dzerzhinsky. Based on extensive research.

REVOLUTIONARY LAW AND ORDER: POLITICS AND SOCIAL CHANGE IN THE USSR. By Peter H. Juviler. New York: Free Press, 1976, 274 pp. $13.95.

Violence, criminal justice and crime prevention in their relation to ideology and political and social change in the U.S.S.R. constitute a most difficult subject for analysis by a foreign scholar. Juviler, a political scientist with a thorough knowledge of Soviet legal practice, has done extraordinarily well with it, and he judiciously limits his conclusions to the evidence.

KHRUSHCHEV: THE YEARS IN POWER. By Roy A. Medvedev and Zhores A. Medvedev. New York: Columbia University Press, 1976, 198 pp. $10.95.

The Medvedev brothers (Zhores now in England, Roy still in the U.S.S.R.) give us a deliberately sober and balanced picture of Khrushchev. As might be expected they are particularly good in dealing with his policies on science and on agriculture.

KHRUSHCHEV AND THE DEVELOPMENT OF SOVIET AGRICULTURE. By Martin McCauley. New York: Holmes & Meier, 1976, 232 pp. $24.00.

This thorough monograph on the expansion of cultivation to the virgin steppe, in the context of Khrushchev's oft-changing policies on agriculture, illustrates the errors and troubles that brought him down.

DETENTE AND THE DEMOCRATIC MOVEMENT IN THE USSR. By Frederick C. Barghoorn. New York: Free Press, 1976, 229 pp. $12.95.

A many-sided book in which an academic scholar who does not hide his

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political views or moral concerns discusses the Soviet dissenters, their views on international relations, and the interaction of repression at home and expansionism abroad in Moscow's policy of "relaxation."

MODEL OR ALLY? THE COMMUNIST POWERS AND THE DEVELOPING COUNTRIES. By Richard Löwenthal. New York: Oxford University Press, 1977, 400 pp. $12.95.

This is a put-together book of Löwenthal's articles published over a 12-year period, but they are brought up to date and form a coherent whole illustrating his theme of the shift from largely ideological anti-imperialism to hegemonic counter-imperialism.

SOVIET-ASIAN RELATIONS IN THE 1970S AND BEYOND. By Bhabani Sen Gupta. New York: Praeger, 1976, 368 pp. $25.00.

Concentrating on "mutual perceptions," an Indian scholar finds that the cold war has distorted international relations in Asia, often to Moscow's benefit, but with the decline of American imperialism the Soviets will have to deal with Asian nationalism on its own terms. An impressive study.

SOVIET-AMERICAN ACADEMIC EXCHANGES 1958–1975. By Robert F. Byrnes. Bloomington: Indiana University Press, 1976, 275 pp. $10.00 (Paper).

Professor Byrnes has been close to this subject for two decades and directed the university exchanges from the American side from 1960 to 1969. No one else could have written with such authority and clarity on both the educational and political aspects of the program.

WARNING TO THE WEST. By Alexander Solzhenitsyn. New York: Farrar, Straus & Giroux, 1976, 146 pp. $7.95 (Paper, $2.95).
DETENTE: PROSPECTS FOR DEMOCRACY AND DICTATORSHIP. By Aleksandr Solzhenitsyn. New Brunswick (N. J.): Transaction Books, 1976, 112 pp.

Both books reprint Solzhenitsyn's major public statements appealing to America and the West to wake up to the perils of communism and stop helping the Soviet regime. The *Détente* book includes also a series of critical commentaries by Richard Löwenthal and others.

AUTHORITARIAN POLITICS IN COMMUNIST EUROPE. Edited by Andrew C. Janos. Berkeley: University of California Institute of International Studies, 1976, 196 pp. $3.75 (Paper).

Stimulating essays intended to deepen our understanding of communist political systems by examining such factors as continuity vs. change, mobilization vs. system-management, and party control vs. new social forces.

THE INTERNATIONAL POLITICS OF EASTERN EUROPE. Edited by Charles Gati. New York: Praeger, 1976, 309 pp. $16.50.

A book which modestly disclaims any attempt at exhausting the subject in breadth or depth, but which succeeds admirably both in organization and in content. The authors, among America's best in this field, deal with Eastern Europe's position as seen from the U.S.S.R., from China, and from the West.

THE FOREIGN POLICY OF THE POLISH PEOPLE'S REPUBLIC. By Mieczyslaw R. Rakowski. Warsaw: Interpress, 1975, 211 pp. (Chicago: Imported Publications, distributor).

This survey of 30 years of Poland's international relations by the editor of *Polityka*, an intelligent and well-informed observer, predictably highlights the primacy of the German question and the necessity of the Soviet alliance, but is generally disappointing in its party-line interpretations and could have been written in Moscow.

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The Middle East and North Africa

John C. Campbell

CROSSROADS TO CIVIL WAR: LEBANON 1958–1976. By Kamal S. Salibi. Delmar (N. Y.): Caravan, 1976, 178 pp.

A concise and most informative narrative of the background (from 1958) and events of the Lebanese civil war of 1975–76. The focus is on Lebanon's own struggles rather than the larger inter-Arab aspects, but the central role of the Palestinians gets full recognition.

GUERRILLAS FOR PALESTINE. By Riad El-Rayyes and Dunia Nahas. New York: St. Martin's, 1976, 155 pp. $15.95.

A good primer on the Palestinian resistance by two Beirut journalists with excellent contacts. It covers the emergence of the guerrillas, their organization and leaders, and relations with Arab states, China and the Soviet Union.

THE ARAB LEFT. By Tareq Y. Ismael. Syracuse: Syracuse University Press, 1976, 204 pp. $15.00 (Paper, $5.95).

This informed and concise study covers the Ba'th, the Arab Nationalist movement, Nasserism, and the "New Left" that emerged after 1967. It deliberately omits the communists, as too supranational, and the PLO (Fatah, not the Marxist factions) as too conservative.

THE BA'TH PARTY: A HISTORY FROM ITS ORIGINS TO 1966. By John F. Devlin. Stanford: Hoover Institution, 1976, 372 pp. $11.95.

A detailed but very readable account of the origins, doctrine and political fortunes of the durable party that has gained power or prominence in a number of Arab countries. This is indispensable background for understanding the course of Syria and of Iraq under their rival Ba'thist regimes during the past decade.

EGYPT IN THE ARAB WORLD: THE ELEMENTS OF FOREIGN POLICY. By A. I. Dawisha. New York: Halsted, 1976, 234 pp. $24.50.

A generally objective study of Nasser's foreign policy, with an epilogue on the period of Sadat. Following a rather brief chronological account, the author displays his credentials as a political scientist in a lengthy and often interesting analysis of underlying factors.

THE STATE OF ISRAEL: A HISTORICAL, ECONOMIC AND POLITICAL STUDY. By Galina Nikitina. Moscow: Progress, 1973, 367 pp. (Chicago: Imported Publications, distributor).

The most detailed recent Soviet study of Israel, using extensive Israeli, American and Soviet material to demonstrate what the author sees as the reactionary character and aggressive foreign policy of the Zionist state.

SOCIAL CHANGE AND POLITICAL PARTICIPATION IN TURKEY. By Ergun Ozbudun. Princeton: Princeton University Press, 1977, 254 pp. $13.50.

A study of Turkey's political and socioeconomic development in recent years, with much emphasis on "political participation" (parties and voting patterns) in relation to modernization, but none on international questions.

OIL, THE ARAB-ISRAELI DISPUTE, AND THE INDUSTRIAL WORLD. Edited by J. C. Hurewitz. Boulder (Colo.): Westview Press, 1976, 331 pp. $6.95 (Paper).

The product of an elaborate American-European-Japanese effort, this collection of 20 essays treats the political economy of the global energy crisis following the Arab-Israeli war of 1973, especially the individual and collective reactions of

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the major consuming nations of the West. The quality is generally high, the editing competent, the conclusions mixed.

THE ECONOMIC CHALLENGE OF THE ARABS. By Gian Paolo Casadio. Westmead (U.K.): Saxon House/Lexington (Mass.): Lexington Books, 1976, 216 pp. $17.50.

A combination handbook and monograph on present and future economic interaction between the Arab oil producers and the West. Conventional wisdom, advocating cooperation rather than confrontation, multilateralism rather than bilateral deals.

POLITICS OF THE INDIAN OCEAN REGION: THE BALANCES OF POWER. By Ferenc A. Vali. New York: Free Press, 1976, 272 pp. $14.95.

A comprehensive, almost encyclopedic treatise covering the policies of some four dozen countries in the Middle East, Africa, South and Southeast Asia and Australia, as well as the strategies of outside powers. The analysis is cautious and eschews prediction.

Asia and the Pacific

Donald S. Zagoria

CHINA & JAPAN: A NEW BALANCE OF POWER. Critical Choices for Americans, Vol. XII. Edited by Donald C. Hellmann. Lexington (Mass.): Lexington Books, 1976, 305 pp. $16.95.
SOUTHERN ASIA: THE POLITICS OF POVERTY & PEACE. Critical Choices for Americans, Vol. XIII. Edited by Donald C. Hellmann. Lexington (Mass.): Lexington Books, 1976, 297 pp. $16.95.

Two unusually strong and informative collections of essays sponsored by the Rockefeller Commission on Critical Choices which raise, even if they do not agree on how to solve, the critical questions about future American policy in the Far East. Particularly interesting are the different approaches of Oksenberg and Scalapino to the prospects for full normalization of U.S.-China relations. Oksenberg thinks a formula can be found for normalizing relations without sacrificing Taiwan; Scalapino is skeptical. Other noteworthy essays are those by Weiner on U.S.-Indian relations, and Pranger on the various strategic options for the United States in Asia.

SINO-SOVIET DIPLOMATIC RELATIONS, 1917–1926. By Sow-Theng Leong. Honolulu: University of Hawaii Press, 1976, 361 pp. $15.00.

To anyone interested in the likely future of Sino-Soviet relations, this superb historical study is indispensable background. Based on Nationalist archives, it vividly demonstrates the continuity between Soviet and Imperial Tsarist policy toward China even in the very first decade of Bolshevik rule. For all they were revolutionaries, the Bolsheviks nevertheless were preoccupied with national security: they quickly detached Outer Mongolia from the Chinese republic and reestablished Russian dominance in north Manchuria. Underlying the Sino-Soviet relationship even then, at a time of relative harmony, was an intense, protracted conflict between rival nationalisms.

MANAGING AN ALLIANCE: THE POLITICS OF U.S.-JAPANESE RELATIONS. By I. M. Destler and others. Washington: Brookings, 1976, 209 pp. $9.95 (Paper, $3.95).

Employing the bureaucratic model of foreign policy decision-making, the authors study the internal politics within Japan and the United States that influenced three episodes: revision of the bilateral security treaty in 1960; agreement on reversion of Okinawa; and the 1969–71 dispute over Japanese

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textile exports to the United States. Not surprisingly, the conclusion is that domestic bureaucratic and political considerations quite often affect the U.S.-Japan partnership adversely; there are some sensible suggestions on how to limit the damage.

ASIA'S NEW GIANT: HOW THE JAPANESE ECONOMY WORKS. Edited by Hugh Patrick and Henry Rosovsky. Washington: Brookings, 1976, 923 pp. $19.95.

Probably the most comprehensive account ever written about the Japanese economy and its future prospects, this book is the result of a collaborative effort between a prominent group of American economists and Japanese counterparts. The editors, in an interesting conclusion on "lessons" for other industrial democracies, stress the close cooperation between government and big business, the ability of the bureaucracy to exercise a countervailing role without stifling private initiative, and the tremendous willingness of the Japanese to learn from foreigners. (On the helpful role of government in stimulating Japanese economic growth, see also the essay by Chalmers Johnson in the Critical Choices for Americans studies reviewed above.)

JAPANESE MARXIST: A PORTRAIT OF KAWAKAMI JAJIME 1879–1946. By Gail Lee Bernstein. Cambridge: Harvard University Press, 1976, 221 pp. $13.00.

"A modern-day samurai in search of a principle to which he could dedicate his life." This sensitive biography helps explain the continuing attraction of Marxism to some Japanese intellectuals imbued with strong traditional values of morality, duty and self-sacrifice.

INDONESIAN FOREIGN POLICY AND THE DILEMMA OF DEPENDENCE: FROM SUKARNO TO SOEHARTO. By Franklin B. Weinstein. Ithaca: Cornell University Press, 1976, 384 pp. $17.50.

By interviewing Indonesian leaders in great detail about their perceptions of international relations, the author has produced the most substantial and perceptive account of Indonesian foreign policy yet to appear. The study focuses on the universal dilemma of weakness: how to secure outside resources for development without compromising national independence.

INDIAN FOREIGN POLICY: THE NEHRU YEARS. Edited by B. R. Nanda. Honolulu: University Press of Hawaii, 1976, 279 pp. $9.95.

Eulogies of Nehru's foreign policy by Indian scholars and diplomats which are, on the whole, self-serving and self-righteous. No one ever considers whether there was an alternative to Nehru's policy of nonalignment or even objectively weighs the advantages and disadvantages of that policy. The essays throw little light on foreign policy; what they do show is a remarkable unwillingness to raise fundamental questions.

NORTH KOREA'S FOREIGN RELATIONS: THE POLITICS OF ACCOMMODATION 1945–75. By Wayne S. Kiyosaki. New York: Praeger, 1976, 133 pp. $16.50.

A competent account of North Korean foreign relations in the postwar period which illuminates the various stages in Pyongyang's interaction with both Moscow and Peking. Too much Kremlinology, however, and not enough on North Korea's economic and military relations with Russia and China.

KOREA: PROBLEMS AND ISSUES IN A RAPIDLY GROWING ECONOMY. By Parvez Hasan. Baltimore: Johns Hopkins, 1976, 277 pp. $15.00.

A solid account by a World Bank economist of the reasons behind the phenomenal growth of the economy of the Republic of Korea over the past

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decade, and a worried glance at the problems looming on the horizon. The book unfortunately does not highlight one of the most impressive—and least noted—achievements of the South Koreans: equitable growth. The gap between urban and rural household incomes, very high in most underdeveloped countries, was eliminated by 1974. It would be interesting to explore the question of whether such equitable growth within a free market economy could be duplicated elsewhere.

THE PHILIPPINES: PRIORITIES AND PROSPECTS FOR DEVELOPMENT. By Russell J. Cheetham with Edward K. Hawkins. Washington: World Bank, 1976, 573 pp. (Baltimore: Johns Hopkins, distributor, $8.50).

A dry but solid account of prospects for Philippine development which does not inspire great optimism. Although the average annual increase in per capita income since independence (1946) has been a healthy three percent, there is no basis for self-sustained, long-term development. Distribution of growth benefits has been very unequal; the rate of growth cannot be maintained without difficult changes in the pattern; and the type of industrialization has not been conducive to providing broad-based employment opportunities needed in a labor surplus economy. As of 1971, about one-half of all rural families in this largely agrarian society had incomes below subsistence level. Meanwhile, the pace of much-needed land reform, off to a good start in 1972, has slowed.

THE ASIAN DEVELOPMENT BANK: DIPLOMACY AND DEVELOPMENT IN ASIA. By Po-Wen Huang, Jr. New York: Vantage, 1976, 210 pp. $7.95.

Long on describing the origins of the Bank, but short on assessing its strengths and weaknesses.

SELF-HELP IN PACIFIC-ASIAN DEVELOPMENT. Edited by Edward L. Rada and Kan Wu. Taipei: Soochow University Press/La Marida (Cal.): Twilight Publications, 1976, 172 pp. $7.95 (Paper, $4.95).

Some sensible discussion of Asian development problems by an international group of bankers, economists and government officials.

Africa

Jennifer Seymour Whitaker

CONFLICT IN AFRICA. By Adda B. Bozeman. Princeton: Princeton University Press, 1976, 403 pp. $27.50.

This extraordinary treatise wades in where others have feared to tread—in examining the workings of traditional African culture in the institutions and patterns of interaction that continue to operate today. The author romanticizes and perhaps exaggerates certain aspects of traditional culture, but the effect of her downright approach is bracing—provoking opposition and then rethinking. Her comparison between Occidental and African views of conflict and conciliation is interesting in regard to the profound differences which often perplex (and annoy) Western diplomats in international forums, including the African emphasis on personal, situational diplomacy and persuasion rather than on legal agreements, and the power—malevolent as well as healing—of words.

THE KISSINGER STUDY OF SOUTHERN AFRICA: NATIONAL SECURITY STUDY MEMORANDUM 39 (SECRET). Edited by Mohamed A. El-Khawas and Barry Cohen. Westport (Conn.): Lawrence Hill, 1976, 189 pp. $6.95 (Paper, $3.95).

The notorious "secret" National Security Study Memorandum 39 can now be viewed in its entirety; the editors' introduction constitutes a useful, compact compilation of the important secondary source material detailing the shift in

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policy during the Nixon Administration in favor of the white regimes in southern Africa.

AFRICA: FROM MYSTERY TO MAZE. Critical Choices for Americans: Vol. XI. Edited by Helen Kitchen. Lexington (Mass.): Lexington Books, 1976, 412 pp.

In sum, these essays constitute a searching look at the conditions of life in contemporary Africa which ought, ideally, to inform U.S. policy choices. Largely indirect about political issues for the United States, the collection is distinguished by a strong economic component.

THE OAU AND THE UN. By Berhanykum Andemicael. New York: Africana, 1976, 331 pp. $27.50.

Unsurpassed as a source of information and documentation on the OAU, this careful study provides an illuminating account of the African group's activities at the United Nations over the past two decades. The influence and the powerlessness of the African group, the endemic weaknesses and the accomplishments of both organizations are precisely assessed.

CHINA'S AFRICAN REVOLUTION. By Alan Hutchison. Boulder (Colo.): Westview Press, 1976, 313 pp. $14.95.

Though written before the Portuguese coup, this description of China's African involvement since Bandung assesses Chinese interests there in terms that do not seem at all dated today: Chinese revolutionary aspirations for Africa have diminished; aid to the liberation movements is (and always has been, Hutchison asserts) relatively small; trade is an important aim; aid is deftly proffered. Extensive documentation and charts make this a useful reference.

WOMEN IN AFRICA: STUDIES IN SOCIAL AND ECONOMIC CHANGE. Edited by Nancy J. Hafkin and Edna G. Bay. Stanford: Stanford University Press, 1976, 306 pp. $15.00.

Viewing the changing lives of groups of women in East and West Africa through historical, anthropological, sociological and economic perspectives, the essays in this volume give concrete meaning to the theme of African women's loss of economic and political status through the workings of colonialism.

ENGLISH-SPEAKING SOUTH AFRICA TODAY. Edited by André de Villiers. New York: Oxford University Press, 1976, 387 pp. $17.50.

As English-speaking South Africa looks at itself, the overriding impression it gives and gets is confusion. Notable in this book is an article, based on survey research, comparing the attitudes of English and Afrikaans-speaking whites to the questions of identity and integration into the broader national community.

STRATEGY FOR DEVELOPMENT. Edited by John Barratt and others. London: Macmillan, 1976, 324 pp. £10.00.

The "strategy" that emerges from this collection of conference papers written by American and South African academics calls for a nuts-and-bolts approach to developments in South Africa and its dependent neighbors, through case studies emphasizing administrative problem-solving.

AFRICA AND THE INTERNATIONAL ECONOMY 1800–1960. By J. Forbes Munro. Totowa (N.J.): Rowman and Littlefield, 1976, 230 pp. $12.00 (Paper, $5.75).

A compact history of Africa's evolving role on the "margin" of the European economies, and of the structural shaping of the African economies by the modern international economic system.

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Janet Rigney

SOURCE MATERIAL

I. DOCUMENTS

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D.C. 20402. *United Nations, International Court of Justice:* United Nations, Sales Section, New York 10017. *United Nations Educational, Scientific and Cultural Org.* and *Food and Agric. Org.:* Unipub, Inc., P.O. Box 433, New York 10016. *Int. Labor Office:* 917 15th St., N.W., Washington, D.C. 20005. *European Communities:* 2100 M St., N.W., Washington, D.C. 20037. *Organization for Economic Cooperation and Development:* 1750 Pennsylvania Ave., N.W., Washington, D.C. 20006. Washington imprints are Government Printing Office, and Congressional documents, unless otherwise noted, are for the 94th Congress. New York imprints are United Nations, unless otherwise noted.

Africa

Ethiopia and the Horn of Africa. Hearings, Subcommittee on African Affairs, Committee on Foreign Relations, Senate, Aug. 4–6, 1976. Washington, 1976. 138 pp.

Migration, education and urban surplus labour: the case of Tanzania, by H. N. Barnum and R. H. Sabot. Paris, OECD, 1976. 115 pp. (Development Centre Studies, Employment Series, 13.) $5.50.

The Political and economic crisis in Southern Africa. A staff report, Subcommittee on Foreign Assistance, Committee on Foreign Relations, Senate, Sept. 1976. Washington, 1976. 52 pp. (Com. Print.)

Agriculture

Land use policies and agriculture. Paris, OECD, 1976. 84 pp. $4.50.

Study of trends in world supply and demand of major agricultural commodities: report by the Secretary-General. Paris, OECD, 1976. 349 pp. $13.50.

Asia and the Pacific Ocean

Charting a new course: Southeast Asia in a time of change. A report by Senator Mike Mansfield, Committee on Foreign Relations, Senate, Dec. 10, 1976. Washington, 1976. 103 pp. (Com. Print.)

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1. In Bayless Manning's "The Congress, The Executive and Intermestic Affairs: Three Proposals": on page 324, fifth line from the end, for "helpful" read "helped."

2. In Charles P. Kindleberger's "U.S. Foreign Economic Policy, 1776–1976":

a. On page 400, line 30, for "the British trade unionist, Albert Thomas" read "the French trade unionist, Albert Thomas."

b. On page 414, line 37, for "At" read "After."

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